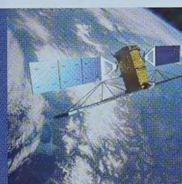
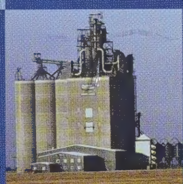
2006 ANNUAL REPORT





Committed to Growth

Agricore United®

BUSINESS SEGMENT OPERATING HIGHLIGHTS

For the twelve months ended October 31 *(unaudited)*

	2006	2005	2004	2003	2002
Grain Handling Segment					
Industry grain shipments (000s tonnes)	**33,076**	28,847	28,869	20,584	24,885
Company grain shipments (000s tonnes)	**11,120**	9,946	10,007	7,411	8,797
Average margin per tonne	**$ 22.34**	$ 21.26	$ 21.34	$ 21.20	$ 23.72
Terminal handling (000s tonnes)	**7,313**	5,891	5,606	3,742	4,930
Crop Production Services Segment					
Sales ($000s)	**$ 771,991**	$ 815,794	$ 735,229	$ 826,825	$ 676,446
Average margin (%)	**20.4%**	22.7%	22.0%	24.7%	22.0%
Livestock Services Segment					
Manufactured feed tonnes sold (000s tonnes)	**1,120**	982	885	816	915
Average feed margin per tonne	**$ 43.42**	$ 43.66	$ 42.91	$ 43.46	$ 39.16
Non-feed gross profit and net revenue from services	**$ 9,907**	$ 10,823	$ 5,930	$ 4,929	$ 5,633

STATISTICAL SUMMARY

For twelve months ended October 31
(in thousands, except ratios and per share amounts)

	2006	2005	2004	2003	(unaudited) 2002
Operating					
Gross profit and revenue from services	**$ 474,159**	$ 460,581	$ 428,497	$ 410,454	$ 411,384
EBITDA	**140,636**	128,737	104,141	100,531	74,725
EBIT	**81,941**	68,020	38,930	27,931	(377)
Earnings (loss) before income taxes, discontinued items and unusual items	**29,369**	19,796	(13,503)	(24,181)	(27,813)
Net earnings (loss)	**20,565**	12,514	(10,166)	(5,546)	(17,516)
Cash flow provided by operations	**84,347**	75,302	51,833	48,404	22,070
Property, plant and equipment expenditures	**21,094**	36,428	32,473	29,176	30,425
Financial					
Working capital	**$ 198,226**	$ 131,163	$ 130,641	$ 176,796	$ (36,998)
Net investment in capital assets	**658,674**	657,074	664,396	688,896	728,982
Total assets	**1,461,106**	1,477,199	1,453,368	1,573,501	1,605,189
Funded debt (short-term financing and long term debt)	**489,838**	523,428	493,375	563,946	686,703
Cash and cash equivalents (included in working capital)	**46,493**	36,590	50,214	53,919	39,117
Convertible debenture	**105,000**	105,000	105,000	105,000	—
Shareholders' equity	**504,603**	490,083	482,942	499,799	507,346
Ratios					
Current ratio	**1.41**	1.24	1.26	1.31	0.95
Leverage ratio (Average net funded debt to capitalization)	**45.8%**	43.1%	45.3%	46.0%	54.6%
Average Net Debt to EBITDA	**3.54**	3.43	4.70	5.04	8.27
Shareholder information					
Monthly weighted average Limited Voting Common Shares outstanding	**45,399**	45,343	45,278	45,299	44,172
Per share:					
Net earnings (loss)	**$ 0.43**	$ 0.25	$ (0.25)	$ (0.15)	(0.42)
Net earnings (loss) from continuing operations	**$ 0.43**	$ 0.25	$ (0.25)	$ (0.43)	(0.44)
Cash flow provided by operations	**$ 1.83**	$ 1.64	$ 1.12	$ 1.04	0.47
Book value	**$ 10.85**	$ 10.55	$ 10.40	$ 10.77	10.94
Trading activity (TSX):					
High	**$ 9.03**	$ 9.25	$ 9.99	$ 8.25	$ 12.05
Low	**$ 6.40**	$ 7.10	$ 7.00	$ 3.60	$ 5.50
Year-end	**$ 8.65**	$ 7.10	$ 7.64	$ 8.18	$ 5.91
Volume (thousands of shares)	**13,697**	9,620	14,921	13,434	12,030

ADDITIONAL INFORMATION

(unaudited)

	2006	2005	2004	2003	2002
Employees (full-time equivalents)	**2,725**	2,819	2,788	2,728	2,997
Number of country elevators	**82**	83	85	88	98
Licensed grain storage capacity (year-end, thousands of tonnes)					
Country elevators	**1,279**	1,256	1,206	1,214	1,416
Terminal elevators – wholly or beneficially owned	**699**	699	699	699	591
Terminal elevators – partially owned	**492**	492	492	492	692

[1]Book value per share is derived by dividing the shareholder's equity at the end of the period by the total number of Limited Voting Common Shares outstanding at year-end as if the preferred shares had been converted on a 1:1 basis.

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Wayne W. Drul, Chair

"Agricore United has a long established history in western Canadian agriculture, but we recognize that in order to excel in this new century, it won't be tradition that moves us forward – it will be recognizing and adapting to the trends in the marketplace."

Brian Hayward, CEO

Photo (from left): Wayne Drul, Chair Brian Hayward, Chief Executive Offi

A MESSAGE FROM THE CHAIR

A Century of Growth

Agricore United is celebrating a century of growth. For 100 years, the Company has served the farming community in western Canada. Through investments in modern facilities, sophisticated technologies and systems, and a dedicated and innovative workforce, Agricore United has strived to add value to agriculture production, connecting our agriculture customers to markets within Canada and around the world.

This year has marked our fourth consecutive year of improved operating performance. Over this time frame, the Company has maintained and increased shareholder value despite harsh operating conditions, like the two years of consecutive drought in 2001 and 2002.

Agricore United has a unique relationship with our key customers; western Canadian farmers. Our positive relationship with producers gives Agricore United an advantage in the highly competitive agricultural business environment. Two-way communication between the Company and its customers enhances farmers' economic outlook while helping to improve the profitability of Agricore United. Both goals are accomplished because Agricore United endeavours to deliver services that best fit an individual farmer-customer's needs.

In short, we have built a company that delivers value to both our shareholders and our farmer-customers. We have demonstrated that we are a company that investors and customers can trust, and we intend to build on the momentum of the last few years to continue to deliver enhanced value to all of our stakeholders.

Modernization of Legislation is Required

The partnership we have developed with farmers gives Agricore United a strong voice in key policy debates. Canadian farmers and this industry will continue to face increased competition from low cost producers, such as Brazil, Argentina and the former Soviet Union. Canada's competitive advantage will increasingly come from our ability to service specific quality and trait needs of our customers. However, the future competitiveness of our industry depends on having a regulatory environment that is able to adapt to rapidly changing markets. Current regulations do not provide this required flexibility and we feel two important areas will require particular focus – the *Canada Grain Act* and the *Canada Transportation Act*.

Recently COMPAS Inc. released an independent review of the *Canada Grain Act* and the Canadian Grain Commission. While Agricore United does not agree 100 percent with all aspects of the report, enacting the recommendations would address the issue of flexibility and ensure Canada remains on the cutting edge of new market opportunities.

This position is supported by all parties on the House of Commons Standing Committee on Agriculture and Agri-Food, which has issued a positive report on the COMPAS Inc. recommendations. I am hopeful that a legislative reform package will shortly follow, based on the work done by COMPAS Inc. and the Standing Committee.

Transportation is another area that requires legislative reform if Canadian agriculture is to maximize its economic growth. Under the current *Canada Transportation Act* there is insufficient balance between shipper and railway accountability. For example, companies are required to load block shipments over limited time periods in order to achieve rail incentives. In port, terminal operators must unload cars within 24 hours, or they are subject to rail car demurrage.

This financial accountability is not a bad thing. It helps bring efficiency to the system. However, there is little corresponding accountability if the railways fail to spot cars in the country or deliver railcars to port within a specified time. Simply put – there are few penalties for a railway if it fails to provide service.

The Government has promised that legislative reform is coming. Agricore United will work with other shippers and the farm community to ensure that the changes meet the needs of today's industry and allow Canadian agriculture to capture developing opportunities.

A Time of Change and Opportunity

New market opportunities are opening up rapidly. I believe that agriculture in Canada, indeed agriculture around the world, is undergoing a time of significant change and restructuring. While some might find change unsettling, I am excited when I think about the future. I see the coming years as a time of increasing opportunities, new markets, and growing returns for all sectors in the value chain, from farmers through to grain handlers and processors.

Introduction of new technology, management, and production practices are going to allow Canadian farmers to deliver more choice to the world's consumers. New products will be aimed at not only meeting consumers' tastes, they will help address health needs. Agriculture products will supply a growing proportion of energy and industrial demand. All of these new market opportunities will be good for farmers and their industry partners, like Agricore United.

Adapting our industry to effectively take advantage of these new opportunities cannot be accomplished by Agricore United in isolation. Nor can Canadian agriculture realize its potential if farmers act alone. However by working together we can ensure that Canadian agriculture leads the world, both in terms of supplying consumers' needs and providing profitable returns for producers.

Agricore United has the systems and infrastructure in place to help farmers take advantage of opportunities presented by new technology and developing markets. The Company has unparalleled access to seed technology, crop production products and end-use markets to help Canadian agriculture compete in a changing world.

I am optimistic for the future of this Company and see many reasons why this optimism should be shared by all sectors of our industry.

Wayne Drul
Chair

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In 2006 Agricore United celebrated the occasion of its 100th year of providing service to western Canadian farmers. While we celebrated this milestone for our founding heritage companies, our focus was and is on where we are heading in the months and years ahead.

Looking Back, Thinking Forward

Agricore United has a long established history in western Canadian agriculture, but we recognize that in order to excel in this new century, it won't be tradition that moves us forward – it will be recognizing and adapting to the trends in the marketplace. A number of emerging trends are before us that may have a profound impact on the future of our company. These trends include changing demographics, rapidly advancing technology, regulatory change, as well as new demands for agricultural inputs for biofuel production. With these emerging trends, it is important for us to refine our strategy – to evaluate our strengths and opportunities and to "think forward" to identify specific strategies that we could adopt to shape the future of Agricore United.

Strongly Positioned

Before we can discuss our strategic intents for the future, it's important to assess our existing strengths and opportunities. Although many of our core capabilities will be discussed further in this report, a few deserve to be highlighted now, particularly since this past year has seen a great deal of speculation on the future of the Canadian Wheat Board ("CWB"). Whether the CWB remains as a single-desk marketer or whether western Canada develops a dual marketing system for food grains, we believe Agricore United is positioned to adapt and we will continue to service our customers effectively and efficiently, no matter what the marketplace provides.

Agricore United has proven proficiency in logistics and commodity marketing. We have an excellent team of merchants who match sell contracts with purchase contracts and trade in global futures markets to manage both price and foreign currency risk. From wheat, barley and oats to oilseeds, forages and a full line-up of specialty crops, more than half of Canada's grain is exported each year to markets that include major crushing, milling and brewing customers worldwide. International destinations include the United States, the European Union, the booming Asian market, South America, the Middle East and beyond. This past year, doors have opened to us in entirely new markets including Pakistan and the United Arab Emirates. Agricore United is the largest merchandiser of canola in western Canada and we rely on the strengths of our logistics management team to coordinate the complex movement of our products from the farm gate to the elevator to port terminal and ultimately to the end user by truck, rail or ocean vessel.

Another major topic of discussion in the industry in recent years has been the volatile energy market worldwide. There is a strong consensus that the days of truly cheap energy are gone. As a result, events of the last two years have had profound impact on two areas: Ethanol and bio-diesel production.

In the United States, there has been a commitment to dramatically expand the use of ethanol. Looking back 10 to 15 years ago, only about five percent of the U.S. corn crop was dedicated to service the ethanol market. In about five years, with this new commitment to ethanol, the proportion of corn acreage used for ethanol is expected to grow to about 20 percent. As a result, with only a finite amount of land, acres once devoted to wheat and other crops may become displaced by corn. This opens up a tremendous opportunity for Canada – as the U.S. may not only become an importer of wheat to satisfy their domestic demand, but the export markets they once serviced may increasingly look to Canada to service their supply needs. Again, Agricore United is well positioned to fulfill this demand – not only are we an accredited exporter of the CWB, but we also work hard to develop our own strategic relationships to fulfill end user requirements.

Cultivating our relationships, alliances and strategic partnerships with end-use markets is key to Agricore United's participation in this developing energy market. While the company's direct participation in producing ethanol may not be the best way to leverage our existing strengths, we have and will capture additional value by fostering these relationships. In Canada, we are already the exclusive agent to supply feed grade wheat to an ethanol producer in Lloydminster, Saskatchewan and also have a strategic agreement to supply feed grade wheat to the same ethanol producer in Minnedosa, Manitoba. As ethanol production grows in Canada, we will be at the forefront in providing supply solutions.

Meanwhile, in the European Union, environmental pressures and a shortage of existing refining capacity are driving an expansion in bio-diesel production. More bio-diesel will mean more demand for canola and that means a major opportunity for Canada with a similar dynamic as what we foresee in the United States, albeit on a smaller scale.

Finally, we cannot talk about strategic initiatives without highlighting our financial capabilities. For the past five years, our main focus has been on debt reduction and strengthening the core capabilities of our company. In fact, the company has reduced its leverage over the past five years, from about 61 percent at October 31, 2001 to about 42 percent today, in spite of the harsh operating conditions experienced during that time frame. Additionally, in 2006 we further enhanced our financial flexibility by executing a major refinancing project. The new financing arrangements secured by the Company will not only reduce the core financing costs on our existing debt, but also will provide the necessary flexibility within our lending agreements to permit us to participate in future growth opportunities.

Committed to growth

At the end of our planning process we tried to simplify and distill the concept that we want to follow down to a single sentence:

Agricore United's overall strategic intent is to grow by adding value to agricultural production.

Grow added-value

Agricore United already adds value to agriculture production. Our merchants regularly travel to foreign countries and work closely with end-use customers to find out what products and traits are in demand by food and industrial processors and consumers. Then we use Agricore United's breeding expertise and our strategic relationships with seed companies to turn our knowledge into crop opportunities for our farm customers. We further add value by providing the necessary internationally recognized quality control measures to preserve the identity of the products they deliver to us. When we bring that market opportunity back to farmers we are adding value. We add value by blending grain. We add value by manufacturing feed. We add value by providing nutritional advice to livestock producers.

That is what we do today. What we intend to do in the future is add value in other ways. That is by actually increasing our involvement in downstream processing. We've already executed on an initial phase of our strategic intent to grow our Livestock Services segment this year with the acquisition of Hi-Pro Feeds. This acquisition significantly expands the reach of our Livestock Services segment into the south-west United States, a region which represents one of the highest growth markets in the U.S. dairy industry.

Not only does this acquisition fit within our strategic intent, but by growing our Livestock division by about 50 percent, it serves to diversify our operations since the key drivers in the livestock division are not as linked to those in the grain and crop inputs segments of our business. Additionally, the geographical diversification may also help to further mitigate Agricore United's exposure to various regional environmental, economic and political conditions specific to our existing livestock business.

We will continue to seek opportunities that are consistent with our strategic intents and we look forward to continued growth and added value for our shareholders.

Grow alliances

Second – rather than increase our direct involvement in upstream activity such as technology development or fertilizer manufacturing, our preference is to grow the business by growing alliances. As mentioned, we already have well established relationships with end-use markets, and since 1997 both Archer Daniels Midland (ADM) and Marubeni Corporation, two of our significant end-use customers have also been significant shareholders. Their investment in our company reflects not only a commitment to our organization, but also a means of securing their ongoing supply needs.

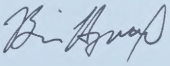
Grow scale of operation

Third is scale of operation – we have expertise that we can bring to the marketplace and we believe we can leverage that expertise to enhance our presence in the Grain and Crop Production Services segments of our business.

Grow intellectual products

Finally, we are going to be investing more time and energy in developing intellectual products. We've begun this as well, with the roll-out of the PRISM™ risk management pilot program in Spring 2006. As farmers grow more sophisticated in their needs, there will be more opportunity for us to provide innovative financial and risk management solutions to our customers.

Without question, we're all very proud of the accomplishments we have achieved in five short years, while building on 100 years of growth and expertise. From our network of modern and diversified assets, logistics expertise and connections to end-use markets, to the innovative use of information technology and solutions focussed people that make up this company, Agricore United is committed to growth and seizing the opportunities that are here and now – and in the future.



Brian Hayward
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") as at December 14, 2006 should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements on pages 31 to 49 of this report that have been prepared using Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, a reference to a year relates to the Company's fiscal year ended October 31. All amounts are reported in Canadian dollars unless specifically stated to the contrary.

Additional information relating to the Company, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

EVALUATION OF EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to it in a timely manner. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of October 31, 2006 and have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities, particularly during the period in which this report was being prepared.

Management is also responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has designed the Corporation's internal controls and procedures over financial reporting as of the end of the period covered by the annual filings, and believes the design to be sufficient to provide such reasonable assurance. There have been no changes in the Company's internal controls over financial reporting during the year ended October 31, 2006 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

FORWARD-LOOKING INFORMATION

Certain statements in this report may contain forward-looking information. Such statements include, but are not limited to, statements that address the results, events or activities that the Company expects or anticipates will or may occur in the future, including statements in respect of the growth of the business and operations, competitive strengths, strategic initiatives, planned capital expenditures, plans and references to future operations and results, critical accounting estimates, and expectations regarding future capital resources and liquidity. Such statements relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and can generally be identified by the use of statements that include words such as "believe", "expect", "anticipate", "intend", "plan", "likely", "will", "may", "could", "should", "would", "suspect", "outlook", "estimate", "forecast", "objective", "continue" (or the negative thereof) or similar words or phrases.

All of the statements in the MD&A which contain forward-looking information are qualified by these cautionary statements and the other cautionary statements and factors contained herein. Although the Company believes that the expectations reflected in such statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making such statements and actual results, events or activities may differ materially from those expressed or implied in such statements. In addition to other assumptions specifically identified, assumptions have been made that include, but are not limited to, the economic, regulatory, political and competitive environment in Canada and abroad, weather conditions, the level and nature of ongoing railway incentives and the capacity of the railways to provide for timely delivery to port, the continued support of the Company's insurance providers, western Canadian crop production and quality, agricultural commodity prices and markets, natural gas prices, demand and pricing for Crop Production Services ("CPS") products, the availability of feed ingredients for livestock and poultry producers, the cyclicality of hog prices and the general financial condition of the Company's producer and end-use customers. Additional assumptions applied in making these statements may also be made in respect of the specific variables associated with our Key Performance Drivers, as outlined in the body of this document, in the section entitled "Business Segment Performance".

Important factors that could cause actual results, events or activities to differ materially from these expectations include, among other things: the risks and uncertainties associated with weather conditions, agricultural commodity prices, financial leverage, additional funding requirements, international trade and political uncertainty, competition, domestic regulation, environmental risks, food safety, diseases and other livestock industry risks, acceptance of genetically modified products, labour disruptions, dependence on key personnel, technological advances, credit risk, foreign exchange risk, competition matters relating to the merger of United Grain Growers Limited ("UGG") and Agricore Cooperative Ltd. ("Agricore"), the provisions of the United Grain Growers Act and the outcome of the unsolicited takeover proposal initiated by Saskatchewan Wheat Pool Inc. ("Sask Pool") on November 7, 2006. Additional information about these factors and about material factors or assumptions underlying such statements may be found in the body of this document in the section entitled "Risks" as well as in the Company's Annual Information Form, under the heading "Risk Factors". These are not necessarily all of the important factors that could cause actual results, events or activities to differ materially from those expressed in any of the Company's statements which contain forward-looking information. Other known and unpredictable factors could also impact its results. Consequently, there can be no assurance that the actual results, events or activities anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

All statements made in this report which contain forward-looking information are made as of the date of this document. Unless otherwise required by applicable securities laws, the Company disclaims any intention

or obligation to publicly update or revise such statements, whether as a result of new information, future events or otherwise.

OUR COMPANY

OVERVIEW

Agricore United is one of Canada's leading agri-businesses with headquarters in Winnipeg, Manitoba and extensive operations and distribution capabilities across western Canada, as well as operations in the United States and Japan. Created on November 1, 2001 by the merger of Agricore and UGG, the Company has been providing services to the agricultural community for 100 years, with its oldest predecessor company originally incorporated on July 20, 1906. Agricore United's Limited Voting Common Shares are publicly traded on the Toronto Stock Exchange under the symbol "AU".

The Company's operations are diversified into the following four business segments:

Grain Handling encompasses contracting, marketing and transporting grain from the farm to end-use markets utilizing the Company's 82 country grain elevator locations, 106 stand-alone crop production centres and full or partial ownership of six port terminals. Grain handling begins with moving the grain from the farmer's field to the Company's geographically-dispersed and strategically located country elevator network. The grain is weighed and the quality is assessed. Grain is then shipped from the country elevator to North American customers (such as a flourmill, oilseed crusher, maltster or bio-fuel plant) or to a port terminal, usually for shipment to off-shore end-use customers.

The grain handling industry typically ships most of the grain produced in the 12 month period ended July 31 (the "Crop Year") over the course of the next twelve months, depending on the timing of the harvest. Excluding the effect of the unusually severe 2002 drought, western Canada (the provinces of Manitoba, Saskatchewan, Alberta and British Columbia) produced an annual average of 49.3 million tonnes of the six major grains (wheat, barley, oats, canola, flax and peas) over the past 10 Crop Years, representing about 95% of Canada's productive capacity. On average, about 32 million tonnes (or 65%) of total production is delivered to the primary grain elevator network operated by grain handlers such as Agricore United. The Company is western Canada's largest grain handling and merchandising company by volume, with shipments averaging more than a 34% share of the western Canadian grain market since 2002.

Crop Production Services manufactures, distributes and provides crop production support for a variety of inputs, including crop nutrition and crop protection products, seed and agronomic services through 263 Customer Service Representatives ("CSRs") operating from the Company's network of 82 country elevators and 106 stand-alone crop production centres. Crop nutrition includes the sale of fertilizer products, soil nutrient assessment and application services. The Company offers 282 crop protection products including herbicides and insecticides and provides custom application services directly or through third-party contractors. Certified seed varieties, such as Proven® Seed, Agricore United's exclusive seed brand, offer improved yield potential and other value-added traits. The Company provides agricultural consulting and crop planning services to help farmers meet their production goals or address other specific needs. Agronomic Crop Enhancement ("ACE") specialists, who provide technical advice on crop production issues and the most profitable crop production practices, support the Company's CSRs.

Livestock Services formulates and manufactures feed for swine, dairy and beef cattle, poultry and other specialty feeds from seven feed mills and two pre-mix manufacturing centres in British Columbia, Alberta and Manitoba. In addition, the Company recently acquired Hi-Pro Feeds' ("Hi-Pro") four feed mills in Texas and New Mexico, manufacturing feed for ranchers and dairy farmers in the Texas, New Mexico, Colorado and other southwestern U.S. markets. The manufacture of complete feeds and supplements provides feed formulations containing all or a significant portion of the nutritional requirements of the livestock being fed. Manufactured pre-mixes supply a base mix of vitamins and minerals to livestock producers who do their own complete feed manufacturing. Agricore United's Canadian feed mills comply with all federal regulations and are all certified or compliant with Hazard Analysis Critical Control Point ("HACCP") guidelines, the internationally recognized system of quality control management for food safety. To complement its manufacture and sale of feed, Livestock Services also engages in marketing swine and other ancillary services such as arranging financing for livestock producers.

Financial Markets comprise both Agricore United Financial™ ("AU Financial") and Unifeed Financial™, and as an agent of a Canadian Schedule I chartered bank, offers a variety of secured and unsecured credit products to the Company's agricultural customers. AU Financial provides unsecured trade credit to farmer customers with increased flexibility and repayment terms at competitive rates. Unifeed Financial arranges secured loans to livestock producers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The Company continues to directly manage the customer relationship and receives a fee for performing front-end credit review and management services. In addition to these credit programs, this segment also offers other ancillary financial and risk management products to producers.

SEASONALITY

The Company's earnings follow the seasonal pattern of Prairie grain production. Activity peaks in the spring as new crops are sown and in the fall as mature crops are harvested. The volume of grain shipments are subject to less seasonal volatility, however, movements may increase immediately before or after the fall harvest. Sales of CPS products peak during May through July, corresponding with the start of the growing season, followed by increased levels of crop nutrient sales in the late fall. Although relatively steady throughout the year, Livestock Services sales tend to peak during the winter months as feed consumption increases. Financial Markets agency fees follow the related pattern of sales of the underlying activity in Crop Production Services and Livestock Services. Sales patterns have a significant impact on the level of earnings and generally result in lower earnings throughout the early months of the fiscal year, with significant increases occurring in the third quarter ended July 31.

STRATEGIC INTENTS

Following an in-depth strategy session in fiscal 2006, the Company identified a number of trends likely to impact the industry in the coming years:

Demographics – Shifting demographics around the world could alter the demand for agricultural products. While increasing demand from a growing population is obvious, the impact of higher per capita income levels may also contribute to greater demand for feed grains to supply increasing demands for dairy and protein. An unrelated demographic influence is the changing profile of the Canadian agricultural community, with a large number of producers approaching retirement age. Significant succession is anticipated in the next ten years and farm businesses are expected to evolve into even more complex, more sophisticated and larger scale operations that will demand more technology and a broad suite of financial tools.

Technology – Technology developments in agriculture span a number of areas and the tools of genetics that are being applied today have yet to realize their full potential. Although technology efforts have traditionally focused on attaining enhanced genetic characteristics in seed varieties (such as yield and drought tolerance), with improved chemical formulations and sophisticated chemistry and biology applications improving the effectiveness and efficiency of crop inputs, broader technology developments are now introducing new products and new applications for plant technology.

Energy – While escalating demand for energy is keeping current energy prices high, it is also creating new demands for alternative energy sources. In the U.S., ethanol production is driving a shift to corn acreage, displacing acres that have traditionally been dedicated to wheat. With Canada's proximity to the U.S., new opportunities may evolve to export wheat into that market, and with a declining U.S. participation in worldwide wheat markets, create additional offshore export opportunities. Aggressive government support in Europe has made it the world's largest bio-diesel market. Canola based bio-diesel is more favorable than other bio-diesel feedstocks because of its performance in cold weather climates. The competitive advantage created by this developing market is positive for western Canada and particularly for the Company, the largest merchandiser of canola in Canada.

Regulation – While current indications show that a trend towards less regulation in the Canadian grain industry is gathering momentum, the nature and pace of such change remains uncertain. Recent actions by the federal government to modify the role of the Canadian Wheat Board ("CWB") by giving producers the right of choice in marketing their wheat and barley remain underway, however the exact nature, timing and impact of these changes cannot yet be determined.

Following an analysis of these trends, the Company updated its strategic plan to broaden its objectives and position itself to capture this expanding range of potential opportunities, both in Canada and abroad. As described in the chart below, fitting with the Company's overall intent to grow by adding value to agricultural production, the Company defined broad objectives as part of its strategic focus and delivered on such objectives during 2006.

Further development of some of these initiatives may be partly dependant on external factors. However, as political and regulatory policies change, as markets grow, as energy issues increasingly become part of the agricultural landscape and as technology transforms the productivity potential and range of end uses for agricultural products, the Company believes that its strategy will be suitably aligned, connecting these trends to actionable business plans.

Strategic Intent	Delivered in 2006
Development of the Company's involvement in value-added "downstream" opportunities. This could include such initiatives as further developing its livestock services segment, building on and exploring additional investments in (or with) agricultural based alternative energy businesses and expanding into the wheat and oilseeds value chain.	• Acquisition of Hi-Pro Feeds in the U.S., expanded the Company's presence in livestock feed manufacturing. • Strategic agreements to supply approximately 350,000 metric tonnes of grain for Husky Energy's ethanol plant in Lloydminster, Saskatchewan, and 178,000 metric tonnes to their plant in Minnedosa, Manitoba. • Carman Bean plant upgrade completed, with commissioning of the expanded processing facility commencing February 2006.
Enhancement of the Company's leading position in Grain and Crop Production Services businesses.	• Acquisition of Mattinson Farm Services Ltd. in Viking, Alberta, a crop input retailer. • Acquisition of the remaining 50% interest in Lloydminster Joint Venture, a grain handling facility and crop input retailer. • Investment of over $4.5 million in a number of grain and fertilizer facility upgrades, including rail track and grain storage expansion projects.
Expansion of the Company's financial and ancillary services, including the development of innovative risk management products for producers.	• Introduction of the Company's pilot PRISM™ program, a risk management program for farm producers.

OUR CAPABILITIES

CORE CAPABILITIES

The Company has several core competencies and non-capital resources that should enable it to achieve its strategies. These capabilities and assets are outlined below. Capital resources are discussed in detail in the "Liquidity and Capital Resources" section of this report.

DIVERSIFIED AND MODERN FACILITY ASSETS

A substantial infrastructure renewal program to upgrade and replace older, smaller country grain elevators with new, more efficient high throughput elevators ("HTEs") at strategic locations throughout the regions of Manitoba, Saskatchewan, Alberta and British Columbia was completed prior to the merger of Agricore and UGG in 2001.

The Company believes that the geographic dispersion and strategic location of each of the facilities, in addition to its extensive port terminal operations in Vancouver, BC, Prince Rupert, BC, and Thunder Bay, ON makes it possible to draw the throughput

volumes required for the Company to be a low cost provider of grain handling services. Not only does this protect the Company's existing market share, but it also positions the Company to optimize future opportunities that may result from any changes in the regulatory environment.

In addition to its grain handling assets, the Company's network comprises 106 stand-alone crop production centres located throughout the prairie provinces, as well as crop production centres located at or adjacent to many of the Company's HTEs, supported by three central warehouses located in Manitoba, Saskatchewan and Alberta. As with the grain handling network, the geographic dispersion of our crop input network permits the Company to reach a broad group of customers, diversifying the risk of localized weather, economic or other market conditions.

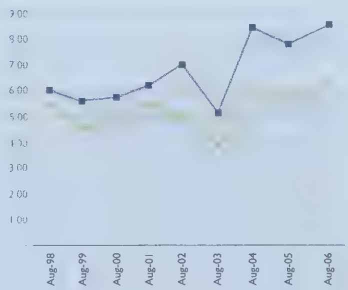
Feed manufacturing facilities are located in Alberta, Manitoba, British Columbia, Texas and New Mexico and most are either new or have been substantially upgraded in recent years. In this growth area of the business, this reinvestment enabled these mills to operate as efficiently as possible and provided expanded processing capacity to take advantage of changing market and competitive conditions.

CONNECTIONS WITH END-USE MARKETS

The Company has well-established connections with end-use markets, both domestically and internationally – through its marketing relationships with end-use customers for non-CWB grains and as an accredited exporter of CWB grains. Through its primary sales offices across western Canada and a wholly-owned subsidiary acting on its behalf in Tokyo, Japan, the Company ships grains to over 50 countries around the world and is the largest canola exporter in Canada.

LOGISTICS EXPERTISE

To address the complexity of the grain handling system in Canada, the Company has developed significant logistics expertise. This includes arranging for the optimal receipt of grains into each facility, minimizing the period of time grain is held in storage, maximizing rail car usage and incentives and providing for timely delivery to port as well as domestic and North American end-use customers. For shipments from port, further expertise is applied in chartering vessel freight, ensuring that the Company participates directly in Cost Insurance and Freight ("CIF") markets, and controlling arrival dates on vessels so that fobbing logistics are optimized (maximizing despatch revenues and minimizing demurrage charges). In 2006, inventory turn factors (the ratio of throughput to storage capacity which measures the efficient use of storage capacity) for the industry averaged 6.4 times, whereas the Company's inventory turn factors were about 8.7 times, reflecting a standard of operating efficiency 36% better than the industry as a whole. Additionally, the Company maximizes the incentives it can earn from the railways by shipping approximately 80% of its export grains in 50 or 100 rail car loads, compared to an industry average of about 68% in 2005. Remaining shipments would not otherwise be eligible for maximum rail incentives as these shipments relate primarily to inter-provincial movements of barley and feed wheat for domestic markets where customer facilities are not equipped to handle multi-car blocks and to movements of specialty crop commodities such as canary seed and peas which are not typically shipped in 50 or 100 car loads. The ability of the railways to move 100 versus 50 multi-car unit trains directly impacts the Company's ratio of multi-car blocks as most of the Company's HTEs with 50 car spots are scaleable to 100 car spots as market conditions dictate.



Inventory Turns (primary elevator shipments divided by licensed storage capacity)

INFORMATION TECHNOLOGY

The Company's information technology platform represents a significant asset of the Company and supports the internally developed proprietary software at the forefront of the Company's logistics expertise. The Company operates a state-of-the art communications network connecting its extensive operating network through high-speed internet. The Company believes that its systems provide a strategic competitive advantage that positively impacts operating profitability, providing superior real time connections between farmer customers, front-line operations, transportation and logistics services, the corporate office and even end-use customers. These technology platforms have a rich history, with the system upgrades introduced to the country elevator network in the 1990s receiving an innovation award from the Smithsonian Institute, to recent innovations in developing disaster recovery capabilities receiving similar honours as a finalist in the Canadian Information Productivity Awards in 2006.

SOLUTIONS FOCUSSED

The industry is a complex one and over recent years the Company has faced a number of challenges, all of which it managed with diligence, creativity and attention to shareholder value. With changes in rail incentives and the abolition of government rail freight rate subsidies in 1995, the Company led the industry in executing an organized consolidation of its elevator network, closing older facilities and replacing them with modernized, more efficient facilities. When faced with expanding working capital funding requirements to finance an increasing level of producer receivables, the Company developed AU Financial (and subsequently Unifeed Financial) to provide direct financing to producers through an alliance with a Canadian Schedule I chartered bank. Recognizing that weather is a key risk factor for the industry and that grain volume is one of the Company's key drivers of earnings and cash flow volatility, Agricore United was one of the first organizations in the world to develop a cost effective integrated risk insurance financing program, combining traditional property and casualty insurance with grain volume insurance to provide a floor on grain handling earnings in the event of a weather related disruption in the volume of grain shipments. The Company continues to strive to be at the forefront of new initiatives that will enhance shareholder value.

QUALITY CONTROL

With consumer awareness and recent concerns over food safety and "traceability", the Company established a number of processes to track and identify crops at every stage of production, from seed to customer, to meet or exceed international standards. The Company applies HACCP standards, the internationally recognized system of quality

control for food safety, to the operation of its grain handling, crop inputs production and feed manufacturing network, as well as ISO 9000 certification for the processing and export of grains, oilseeds and special crops. In Canada, all of the Company's facilities, except Prince Rupert Grain Terminal ("PRG") are registered ISO 9001:2000 and HACCP certified or compliant.

ANNUAL PERFORMANCE

HIGHLIGHTS

- Higher Grain Handling Margin per Tonne on Higher Volumes
- Lower Crop Inputs Sales and Margins
- Higher Feed Tonne Sales and Earnings
- Operating, General & Administrative ("OG&A") Expenses Tracking Below Inflation
- Highest Net Income, EBITDA and Cash Flow since 2001 merger
- Cash Flow in Excess of Capital Spending and Investments

SALES

Sales and revenue from services for the year ended October 31, 2006 increased to $3.0 billion, compared to $2.8 billion in fiscal 2005, primarily due to higher volumes of grain handled and increased values and volumes of livestock feed tonnes sold, offset by lower Crop Production Services sales.

BUSINESS SEGMENT PERFORMANCE

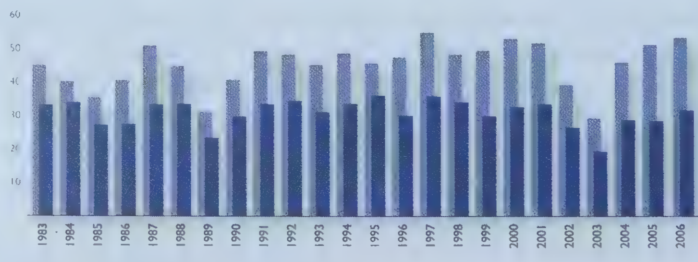
GRAIN HANDLING

Key performance drivers in the grain handling segment are shipment volumes (including the proportion of volumes handled at the Company's port terminals) and the related handling margins per tonne. With many of the operating costs in this segment being fixed, any variation in volumes and/or margins will have a direct impact on the results of this segment. Factors that may influence results include:

- **Production** – the volume of grain shipments for the Company in any given fiscal year are driven primarily by production volumes in the previous growing season, adjusted for changes in on-farm inventories. Production can vary depending on weather conditions and the amount of production subsequently shipped through western Canada's grain handling network also varies. However, the latest 10 year average (excluding the impact of the severe drought in 2002) indicates that about 65% of total production is typically shipped through the grain handling network. Factors that may influence this level of shipments include the producers' expectation of commodity prices in the near and longer term, the quality of the crop harvested, Canadian and U.S. dollar exchange rates, the financial needs of the producers and direct sales by farmers to the domestic market (feed, milling, maltsters, and oilseed crushers).
- **Export Volumes** – the level of export activity can contribute to higher margins, as increased activity at the Company's port terminals and export accredited inland terminals permit it to provide additional services such as elevation, cleaning, drying and blending which generate incremental revenue. Domestic demand will influence the amount of exports in a given year, as available supply typically will be applied first to fulfill domestic needs. Other factors which influence export activity include the level of CWB sales in a given year, worldwide commodity supply and demand and the quality and price of grains, oilseeds and other commodities.
- **Transportation & Logistics** – the rate of inventory turnover in the grain handling network is an important factor in the Company's profitability. The Company's network of facilities has been built to capture efficient turnover of commodities and to maximize the related railway incentives available for loading multi-car unit trains, while minimizing the length of time products are held in storage. The effective execution by the railways of grain movement to port terminals and other North American destinations is also an important variable in the Company's profitability. This can be further complicated if producers elect to deliver their commodities in a concentrated time frame which could strain the railway's capacity to execute shipments.

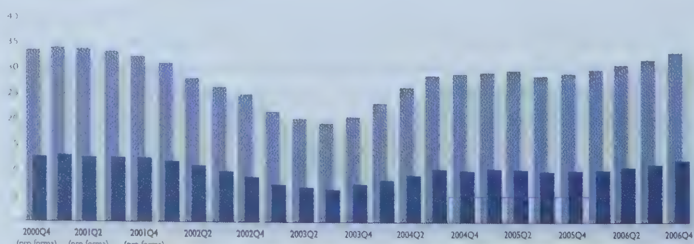
The Canadian Grain Commission ("CGC") reported industry shipments of the six major grains (wheat, barley, oats, canola, flax and peas) for the year ended October 31, 2006 of 33.1 million tonnes, an increase of 4.2 million tonnes (or 14.7%) compared to the same period last year. The increase in shipments is attributed to the higher production levels in 2005 and 2006, as well as the higher carry-out stocks that were available at the beginning of the 2006 fiscal year.

In line with overall industry activity, the Company's total grain shipments increased by 1.2 million tonnes for the year ended October 31, 2006, or 11.8%, compared to the same period of the prior year. The ratio of Company to industry grain shipments of 33.6% declined modestly from the 34.5% reported in the prior year, the result of a change in the proportion of grain production in each of the three prairie provinces in 2005. Following a significant reduction in Manitoba grain production in 2005, industry handle in Manitoba declined



Western Canadian Grain Production and Primary Elevator Shipments
(million tonnes)
For the crop years ended July 31

Shipments
Prior Year Production



Grain Handling Shipments
(million tonnes)

Agricore United
Industry

Grain Handling
For the years ending October 31
(in thousands – except percentages,margins and turns)

	2006	2005	Better (Worse)
Gross profit and net revenue from services	$ 248,409	$ 211,446	17.5%
Operating, general and administrative expenses	(150,247)	(143,969)	(4.4%)
EBITDA[1]	98,162	67,477	45.5%
Depreciation and amortization	(28,200)	(29,411)	4.1%
EBIT[1]	$ 69,962	38,066	83.8%
Operating Highlights			
Industry shipments – six major grains (tonnes)	33,076	28,847	14.7%
Grain shipments – country elevators (tonnes)	11,120	9,946	11.8%
Industry terminal handle – six major grains (tonnes)	19,149	16,521	15.9%
Terminal handle (tonnes)*	7,313	5,891	24.1%
% Terminal handle to grain shipments	65.8%	59.2%	6.6pt
Market share (%)	33.6%	34.5%	(0.9pt)
Margin ($ per grain tonne shipped)	$ 22.34	$ 21.26	5.1%
Licensed storage capacity (tonnes)**			
Industry	5,196	5,184	0.2%
Company	1,279	1,256	1.8%
Inventory turns (shipments divided by capacity)			
Industry	6.37 x	5.56 x	0.81pt
Company	8.69 x	7.92 x	0.77pt

**Company terminal handle (or receipts) excludes grain handled through the Prince Rupert Grain Terminal, in which it has an interest.*
*** Based on licensed storage reported at August 1, 2005 and August 1, 2006 by the Canadian Grain Commission.*

by about 4% for the year ended October 31, 2006. Although the Company has significant market share in Manitoba, the impact on the Company's overall market share was not as pronounced since it was offset by increased shipments from Alberta and Saskatchewan, including higher market share in Saskatchewan where the Company's market share is underweighted relative to the other provinces. The Company's ratio of CWB shipments to total shipments declined to 50% compared to 54% in the prior fiscal year as the Company increased its movement of non-CWB grains due to a weaker than expected CWB sales program this year.

Grain handled through the Company's port terminals increased by 1.4 million tonnes, or 24.1%, for the 2006 fiscal year mainly as a result of increased exports relative to domestic movement. The ratio of the Company's port terminal grain handle to industry receipts for the year ended October 31, 2006 increased to 38.2% compared to 35.7% in the prior year as a result of a reduction in the Company's direct rail shipments from the prairies into the United States and Mexico. Consequently, the Company's ratio of port terminal grain handle to its total grain shipments for the year increased to 65.8% from 59.2% in the prior year.

For the year ended October 31, 2006, the Company's inventory turn factor, a measure of efficient utilization of storage capacity increased to 8.69 times compared to 7.92 times for the prior fiscal year, which represents a turn factor 36% higher than the industry average. Inventory turn factors of non-CWB grains continue to exceed those of CWB grains.

Grain Handling margins per tonne for the year ended October 31, 2006 improved by $1.08 per tonne (or 5.1%) compared to the same period in the prior year. Increased margins reflect the higher proportion of 2006 shipments handled through the Company's port terminals and improved port terminal margins per tonne (from increased storage, cleaning and blending revenue), as well as additional ancillary revenues such as drying and wharfage. Margins in 2006 also included incremental margin of $0.46 per tonne which reflects the accruals for increased 2006 earnings from the Company's interest in Prince Rupert Grain, together with a recovery related to an adjustment to the Company's proportionate interest in the joint venture.

Grain Handling OG&A expenses increased $6.3 million for the latest year compared to 2005, an increase of only 4.4% compared to an 11.8% increase in grain shipments, a 24.1% increase in terminal handle and a 17.5% increase in gross profit for the same period. Increases in 2006 include $3.2 million for higher salary costs at the port terminals associated with the higher throughput activity, $2.1 million in higher benefit costs (including higher pension expenses), $3.1 million in higher utilities expenses (associated with higher natural gas costs and increased drying activity), a $1.2 million increase in provincial capital taxes (due to the absence of about $864,000 recovered in the prior year), and a $1.3 million increase in property tax, delivery charges, external and other operating costs. Offsetting these increases were a reduction of $1.7 million in credit expenses, a $1.5 million reduction in vehicle costs attributed to downsizing the vehicle fleet and a $1.4 million reduction in insurance costs in the current year.

CROP PRODUCTION SERVICES
Key performance drivers in the CPS segment are the volume of sales in each of our main product lines and the related margins thereon. Demand for crop inputs is strongly correlated to the acres seeded in a production year and total seeded area in western Canada has been relatively stable, averaging about 60 million acres per year. Additional factors that may influence volumes and margins include:

- **Weather Conditions** – since 80% of the Company's sales in this segment occur between the April and June period, weather conditions during this time frame play a key role. Excessive moisture in the spring may preclude producers from seeding and consequently delay the timing and/or mix of seed sales. Drier weather in the early summer may inhibit weed emergence, which may result in lower chemical sales and potentially influence producers

[1]For definition and reconciliation see "Non GAAP Terms"

to reduce other crop input purchases. Excessive moisture during key stages of weed emergence may also limit producers' ability to apply crop protection products. However, favourable weather may enhance crop nutrition and crop protection sales as producers strive to optimize crop yields. Post harvest crop nutrition sales may also be influenced by favourable weather as the need to replenish soil nutrients will be more pronounced after the production of an abundant crop.

- **Crop Mix** – each seed variety contributes a different margin, which can influence the overall average gross profit from seed sales. In addition, as the type of crop seeded can require varying levels and types of crop input applications, the crop mix can further influence the level of fertilizer and chemicals applied, which will in turn impact the overall earnings contribution from these complementary product sales. Factors that influence crop mix include the producers' expectations of future commodity prices, forecasts of required input costs, crop rotation requirements, the regions in which the crop is seeded (as certain soil conditions may favour one seed variety over another), and weather conditions which could delay seeding and lead the producer to shift to products with earlier germination and shorter maturation characteristics.
- **Natural Gas Prices** – the price of natural gas, the primary input in the production of nitrogen fertilizer, can influence the profitability of fertilizer sales. The timing of the Company's fertilizer production and purchases can be sensitive to these changing prices, as fertilizer production typically occurs throughout the year, whereas sales are substantially executed during a compressed spring and fall season. As a result, during periods of increasing fertilizer prices, the Company may experience margin appreciation between the time of production to the time of sale, or conversely, margin depreciation in a period of declining fertilizer prices. Furthermore, when fertilizer prices are high, producers may defer or scale back on fertilizer application.

Seed Gross Profit and Sales ($ millions)
Years ended October 3

Crop Protection Margin to Sales ($ millions)
Years ended October 31

Fertilizer Margin and Fertilizer Tonnes Sold (millions)
Years ended October 31

Sales of crop inputs decreased by $43.8 million in 2006, mainly the result of a $28.0 million decrease in crop nutrition sales. This is attributable to the higher fertilizer prices in the spring which limited producer fertilizer applications, as well as the absence of fertilizer sales in the first quarter of fiscal 2006 since most fall fertilizer sales were completed prior to November 1, 2005. Also contributing to the overall decline in sales was a $17.3 million decline in crop protection product sales due to reduced sales prices for products coming off patent protection and variable regional weather conditions which impacted weed emergence in June, a key sales month.

The Company records sales when products are delivered or services are rendered to customers. In accordance with Canadian GAAP, the Company defers the recognition of gross profit from inter-company sales until product is sold to a third party. Deferred inter-company profit is typically lowest at the end of July as seasonal sales are largely complete by this date. Deferred inter-company profits at October 31, 2006 were $3.1 million (2005 – $3.6 million).

Of the $27.8 million decrease in gross profit and net revenue from services in 2006, about $4.9 million is associated with the lower sales activity this year. Other factors contributing to the decline were:

- Declining fertilizer prices, driven by lower natural gas prices toward the end of the second quarter, contributed to industry wide pressures on margins and an $8.5 million reduction in margins as the Company sold higher cost fertilizer inventory that had been manufactured or purchased earlier in the year;
- A $12.7 million reduction in fertilizer margins realized from the Company's proportionate share in Western Cooperative Fertilizers Limited ("Westco"); and

Crop Production Services
For the years ending October 31
(in thousands – except percentages)

	2006	2005	Better (Worse)
Gross profit and net revenue from services	**$ 157,234**	$ 184,999	(15.0%)
Operating, general and administrative expenses	**(106,887)**	(112,143)	4.7%
EBITDA	**50,347**	72,856	(30.9%)
Depreciation and amortization	**(18,988)**	(20,516)	7.4%
EBIT	**$ 31,359**	$ 52,340	(40.1%)
Operating Highlights			
Seed, Crop Nutrition, Crop Protection, Other Sales	**$ 771,991**	$ 815,794	(5.4%)
Seed	**$ 97,545**	$ 95,850	1.8%
Crop Nutrition	**$ 414,298**	$ 442,249	(6.3%)
Crop Protection	**$ 259,776**	$ 277,038	(6.2%)
Margin (% of Sales)	**20.4%**	22.7%	(2.3pt)

- A $1.3 million reduction in agri-services revenue (custom application and agronomic services) associated with the overall timing, mix and level of crop input product sales.

CPS OG&A expenses for the year ended October 31, 2006 decreased $5.3 million as a result of a $1.2 million reduction in payroll costs attributable to lower equivalent full time ("EFT")[2] staff in the current year, $2.6 million in reduced consulting and external service costs, $940,000 in reduced travel, vehicle, utilities and other operating costs and a $361,000 reduction in the Company's consolidated share of Westco's OG&A expenses.

LIVESTOCK SERVICES

The key performance driver in feed manufacturing is volume of feed tonnes sold as feed prices tend to fluctuate in response to the cost of ingredients. Profitability from swine sales and the Company's equity investment in The Puratone Corporation follows the underlying movement in hog prices. Factors that may influence these are:

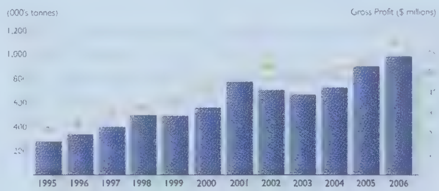
- **Livestock on Feed** – demand for feed is primarily influenced by certain underlying economic factors, in particular the demand for protein in North America and around the world which drives the level of livestock and poultry production. Regionally, demand for livestock products can be influenced by local factors affecting the economics of production, such as dairy and poultry quotas, the availability and cost of feed grains and other ingredients, local farm and ranching infrastructure and farm products processing infrastructure.
- **Economics of the Hog Cycle** – hog production economics follow a well established and predictable four year cycle. Producers expect to prosper for two of four years and to operate on a marginal basis for the other two years. The cycle is a North American phenomenon but on a regional basis its effects can be modified or exaggerated by local conditions and the strength of the Canadian dollar relative to the U.S. dollar.

Feed sales of $249.9 million ($223 per tonne) for the year ended October 31, 2006 increased from sales of $210.5 million ($214 per tonne) last year. Feed manufacturing results include the Company's investment in Hi-Pro since August 14, 2006, the date of acquisition. Hi-Pro will add approximately 600,000 tonnes of feed manufacturing capacity to the existing Livestock Services segment on an annualized basis. The increase in feed sales in 2006 is attributable to a 138,000 tonne increase in volumes over 2005, which includes an additional 134,000 tonnes contributed by Hi-Pro offset by a 30,000 tonne decline in feed volumes attributed to the divestiture of the Company's feed mill in Armstrong, BC in March 2006.

Gross profit on feed for the year ended October 31, 2006 increased 13.4% compared to the prior year, mainly the result of increased tonnes sold. Feed margins per tonne declined marginally for the year compared to the prior year due to the lower average margin per tonne contributed by Hi-Pro. Since the date of acquisition, Hi-Pro contributed $4.9 million to the gross profit of the livestock segment, or $36.57 per tonne based on 134,000 incremental tonnes. Feed margins in the Canadian operations continue to benefit from the consolidation of a competitor's operations in British Columbia in 2005.

Non-feed (predominantly swine) gross profit declined by $916,000 or 8.5% in the year ended October 31, 2006 due to a $2.5 million decline in hog margins as well as a $1.9 million decline in the Company's share of earnings from The Puratone Corporation. A one-time recovery of $964,000 related to the settlement of a class action lawsuit, $2.2 million in higher freight revenues, as well as modest increases in other ancillary revenues offset this decline.

Livestock Services OG&A expenses increased by $2.6 million or 7.8% for the year ended October 31, 2006, due entirely to the addition of Hi-Pro in the fourth quarter of 2006.



Livestock Services
Years ended October 3

Livestock Services
For the years ending October 31
(in thousands – except percentages and margins)

	2006	2005	Better (Worse)
Gross profit and net revenue from services	**$ 58,539**	$ 53,693	9.0%
Operating, general and administrative expenses	**(36,556)**	(33,922)	(7.8%)
EBITDA	**21,983**	19,771	11.2%
Depreciation and amortization	**(4,434)**	(4,239)	(4.6%)
EBIT	**$ 17,549**	$ 15,532	13.0%
Operating Highlights			
Feed sales (tonnes)	**1,120**	982	14.1%
Non-feed sales and revenue from services	**$ 68,700**	$ 81,497	(15.7%)
Feed margin ($ per feed tonne sold)	**$ 43.42**	$ 43.66	(0.5%)
Non-feed gross profit and net revenue from services	**$ 9,907**	$ 10,823	(8.5%)

Where applicable, "EFT" staff will include staff related to the Company's wholly-owned subsidiaries and joint venture in Cascadia Terminal.

FINANCIAL MARKETS

Key performance drivers in the Financial Markets segment relate to the level, duration and quality of credit in a given year. These can be influenced by:

- **Crop Input & Feed Prices** – the size of the lending portfolio is determined by the value of the underlying crop input or feed purchases that comprise the portfolio. This, in turn, influences the level of interest income and profitability of the segment.
- **Credit Quality** – the timing and duration of credit programs are impacted by the credit quality within the portfolio. Since the portfolio is reviewed and renewed on an annual basis, short term fluctuations in farm income should not be expected to result in any improvement or deterioration in credit quality. The Company maintains an extensive database to track credit history and performance as part of its credit adjudication protocols.
- **Interest Rates** – the profitability of this segment can also be influenced by changing interest rates as AU Financial typically offers programs with extended payment terms. While programs are in place to minimize the effects that increased funding costs may have on the profit of the portfolio, unexpected rate changes can influence the ultimate profitability.

Financial Markets revenue decreased by $466,000 for the year ended October 31, 2006, due to reduced margins of $745,000 attributable to lower credit recoveries as well as compressed credit margins due to underlying increases in interest costs in the early part of the year. However, an increase of $302,000 in gross profit related to the Company's new PRISM™ program offset most of this decline. The PRISM™ program was introduced as a pilot project in 2006, and uses sophisticated technology to combine and manage a bundled product offering, together with a risk management component that mitigates the customers' potential yield losses. Unrecognized deferred revenue related to the program was $223,000 at October 31, 2006.

The decrease in OG&A expenses of $1.7 million for the year ended October 31, 2006 reflects lower bad debt expenses of $1.2 million and the absence of $532,000 in consulting costs incurred in the prior year.

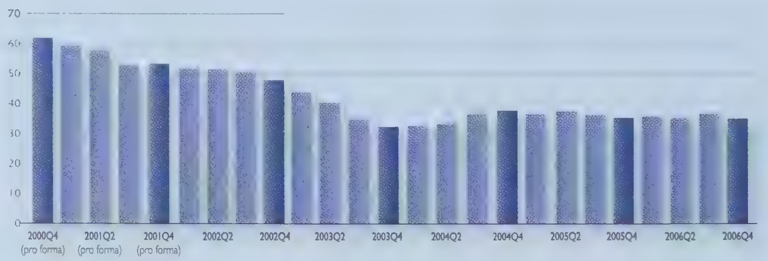
Financial Markets
For the years ending October 31
(in thousands – except percentages)

	2006	2005	Better (Worse)
Gross profit and net revenue from services	**$ 9,977**	$ 10,443	(4.5%)
Operating, general and administrative expenses	**(3,446)**	(5,217)	33.9%
EBITDA	**6,531**	5,226	25.0%
Depreciation and amortization	**(314)**	(202)	(55.4%)
EBIT	**$ 6,217**	$ 5,024	23.7%

CORPORATE EXPENSES

Supporting the Company's other operating segments, the Corporate division provides a variety of centralized functions including human resources management, management information systems development and support, treasury, financial reporting, taxation, legal, risk management, corporate audit services, shareholder and member services and investor relations.

Corporate OG&A expenses for the year ended October 31, 2006 declined modestly by $206,000 compared to the prior year. Payroll costs declined by $981,000 due to experience refunds of $1.4 million related to long term disability coverage, and reductions of $2.9 million in pension expense (which are being allocated to operating divisions in the current fiscal year), offset by higher benefits costs under the Company's Restricted Stock Unit and annual incentive payment plans outlined in the Company's 2005 Management Proxy Circular. Other OG&A expenses increased by $775,000, which includes $3.1 million of increased legal costs (most of which are attributable to Competition Bureau proceedings and the disposition of the Company's port grain terminal in Vancouver), offset by lower external service fees, lower insurance costs, and lower governance costs associated with reduced investor communications costs and transfer agent fees.



Corporate OG&A Expenses ($ millions)
Trailing twelve months ended

Corporate Expenses
For the years ending October 31
(in thousands – except percentages)

	2006	2005	Better (Worse)
Operating, general and administrative expenses	**$ (36,387)**	$ (36,593)	0.6%
Depreciation and amortization	**(6,759)**	(6,349)	(6.5%)
EBIT	**$ (43,146)**	$ (42,942)	(0.5%)

CONSOLIDATED FINANCIAL RESULTS

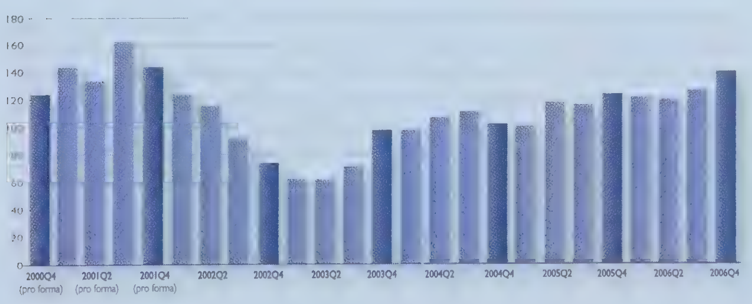
Selected Consolidated Financial Information
For the years ending October 31
(in thousands – except percentages, per share amounts and EFT numbers)

	2006	2005	Better (Worse)
Gross profit and net revenue from services	**$ 474,159**	$ 460,581	2.9%
Operating, general and administrative expenses	**(333,523)**	(331,844)	(0.5%)
EBITDA	**140,636**	128,737	9.2%
Depreciation and amortization	**(58,695)**	(60,717)	3.3%
EBIT	**81,941**	68,020	20.5%
Gain on disposal of assets	**2,411**	1,653	45.9%
Loss on settlement of swap	**(2,170)**	—	—
Interest and securitization expenses	**(52,813)**	(49,877)	(5.9%)
	29,369	19,796	48.4%
Provision for income taxes			
Current portion	**(207)**	(4,703)	95.6%
Future portion	**(8,597)**	(2,579)	(233.3%)
Net earnings for the period	**$ 20,565**	$ 12,514	64.3%
Earnings per share			
basic	**$ 0.43**	$ 0.25	72.0%
diluted	**$ 0.43**	$ 0.25	72.0%
Equivalent Full Time Staff ("EFT")	**2,725**	2,819	3.3%

GROSS PROFIT AND NET REVENUE FROM SERVICES, EBITDA AND EBIT

The Company's gross profit and net revenue from services for the year ended October 31, 2006 increased by $13.6 million over 2005, with a $37.0 million increase in grain handling gross profit from higher grain shipments and margins and a $4.8 million increase in livestock gross profit offsetting a $27.8 million reduction in crop input gross profit. These factors are discussed in greater detail above under "Business Segment Performance".

The Company's continued emphasis on cost control resulted in OG&A expenses increasing only modestly by $1.7 million or 0.5% for the year ended October 31, 2006. Total payroll increases amounted to $4.5 million, with reductions in the weighted average number of EFT staff offsetting payroll increases attributable to higher grain handling activity and higher average wage costs for the year. EFT staff decreased by 3.3% to 2,725 compared to the prior year, despite the addition of staff related to new acquisitions.



Agricore United EBITDA ($ millions)
Trailing twelve months ended

Other OG&A expenses were reduced by $2.8 million as a result of lower consulting and advertising costs, lower fleet vehicle costs, lower insurance costs, improved bad debt recoveries and lower investor relations and transfer agent fees, offset in part by higher legal costs, and higher utilities costs (associated with the higher natural gas costs and increased drying activity) as discussed previously under "Business Segment Performance".

Depreciation and amortization expenses declined by $2.0 million for the year ended October 31, 2006 as the rate of amortization of assets continues to exceed the level of sustaining capital expenditures (estimated to be between $35 million and $40 million annually).

GAIN ON DISPOSAL OF ASSETS AND LOSS ON SETTLEMENT OF SWAP

The gain on disposal of assets of $2.4 million for the year ended October 31, 2006 includes a gain on the sale of a U.S. partnership investment held by the Company's subsidiary, Demeter (1993) Inc. ("Demeter"), the Company's proportionate share of a gain on the sale of land by Westco, a release of $1.9 million in provisions originally established for the write-down of redundant assets, offset by losses realized on the disposition of other assets in the normal course of business. Proceeds from the disposition of assets of $4.9 million for the current year includes proceeds received from the Company's divestiture of its feed mill in Armstrong, B.C. The Company recognized a $2.2 million loss on the settlement of an interest rate swap associated with the successful refinancing of a portion of the Company's long-term debt (see the discussion on "Liquidity and Capital Resources – Debt" below).

INTEREST AND SECURITIZATION EXPENSES

Long-term debt interest costs decreased by $2.7 million for the year ended October 31, 2006 compared to the prior year as a result of net scheduled long-term debt repayments of $39.7 million during the current fiscal year and lower interest costs associated with the long-term debt refinanced in September 2006.

Short-term interest costs increased $6.1 million in 2006 as a result of a 127 basis point (or 1.27%) increase in the average underlying prime rate during the year, together with a $66.5 million increase in average short-term

INTEREST AND SECURITIZATION EXPENSES

For the years ending October 31
(in thousands – except percentages)

	2006	2005	Better (Worse)
Interest on:			
Convertible debentures	**$ (9,450)**	$ (9,450)	— %
Long-term debt	**(28,649)**	(31,381)	8.7 %
Short-term debt	**(15,330)**	(9,249)	(65.7 %)
Securitization expenses	**(2,092)**	(1,716)	(21.9 %)
CWB carrying charge recovery	**2,708**	1,919	41.1%
	$ (52,813)	$ (49,877)	(5.9%)

bank debt. The increase in short-term debt in 2006 was entirely attributable to increased working capital and reflects a reduction in pre-sales of crop inputs (as farmers delayed purchasing decisions closer to the planting season), a reduction in average outstanding cheques (as farmers presented their cheques earlier than in the prior year) and an increase in average current assets. See the discussion below under "Liquidity and Capital Resources – Sources and Uses – Non-Cash Working Capital" for more detail. Capitalized interest related to capital expenditures declined by $200,000 to $297,000 for the year as a result of fewer high value capital projects undertaken.

Securitization costs relate to the Company's agreement with an independent trust, whereby the Company can sell an undivided co-ownership interest in its rights to producer advances made on behalf of the CWB. The increase in the underlying average prime rate, offset in part by lower securitization activity associated with lower CWB receipts this year, accounted for the increase in securitization expenses for the 2006 fiscal year. Recoveries of CWB carrying charges also increased for the same reason.

INCOME TAXES

The Company's effective tax rate for the year ended October 31, 2006 was 30% (2005 – 36.8%), which includes adjustments arising from reductions in substantively enacted tax rates in the current year. Current income tax expense of $207,000 declined by $4.5 million for the current year, which reflects the elimination of the Large Corporation Capital Tax ("LCCT") in 2006, a $640,000 recovery of LCCT paid in a prior year and lower taxes in subsidiary operations.

NET EARNINGS FOR THE PERIOD

Net earnings of $20.6 million ($0.43 basic and diluted earnings per share) for the year ended October 31, 2006 increased by $8.1 million compared to $12.5 million ($0.25 basic and diluted earnings per share) reported in 2005. Per share calculations for the respective periods includes a deduction for the cost of the $1.1 million annual preferred share dividend.

SELECTED ANNUAL AND QUARTERLY INFORMATION

Selected Annual Financial Information

For the years ending October 31
($ millions – except per share amounts)

	2006	2005	*(Restated)* 2004
Sales and revenue from service	**$ 2,998.5**	$ 2,775.3	$ 3,048.1
Net income (loss) from continuing operations	**20.6**	12.5	(10.2)
Earnings (loss) from continuing operations per share			
Basic	**0.43**	0.25	(0.25)
Diluted	**0.43**	0.25	(0.25)
Net income (loss)	**20.6**	12.5	(10.2)
Earnings (loss) per share			
Basic	**0.43**	0.25	(0.25)
Diluted	**0.43**	0.25	(0.25)
Total assets	**1,461.1**	1,477.2	1,453.4
Total long-term financial liabilities	**472.9**	423.7	462.9
Cash dividends declared per:			
Limited Voting Common Share	**0.12**	0.12	0.12
Series A convertible preferred shares	**1.00**	1.00	1.00

Selected Quarterly Financial Information

For the quarters ended
($ millions – except per share amounts)(Unaudited)

	2006Q4	2006Q3	2006Q2	2006Q1	2005Q4	*(Restated)* 2005Q3	*(Restated)* 2005Q2	*(Restated)* 2005Q1
Sales and revenue from services	**$ 706.8**	$ 1,177.5	$ 569.8	$ 544.4	$ 565.9	$ 1,021.3	$ 640.0	$ 548.1
Net income (loss) from continuing operations	**$ (6.8)**	$ 56.0	$ (8.0)	$ (20.6)	$ (13.0)	$ 48.3	$ (4.4)	$ (18.4)
Earnings (loss) from continuing operations per share								
Basic	**$ (0.16)**	$ 1.23	$ (0.18)	$ (0.46)	$ (0.29)	$ 1.06	$ (0.10)	$ (0.41)
Diluted	**$ (0.16)**	$ 0.95	$ (0.18)	$ (0.46)	$ (0.29)	$ 0.82	$ (0.10)	$ (0.41)
Net income (loss)	**$ (6.8)**	$ 56.0	$ (8.0)	$ (20.6)	$ (13.0)	$ 48.3	$ (4.4)	$ (18.4)
Earnings (loss) per share								
Basic	**$ (0.16)**	$ 1.23	$ (0.18)	$ (0.46)	$ (0.29)	$ 1.06	$ (0.10)	$ (0.41)
Diluted	**$ (0.16)**	$ 0.95	$ (0.18)	$ (0.46)	$ (0.29)	$ 0.82	$ (0.10)	$ (0.41)

HIGHLIGHTS OF FOURTH QUARTER PERFORMANCE

For the periods ended October 31
(in thousands – except per share amounts, percentages and margins per tonne)
(Unaudited)

	Fourth Quarter 2006	2005	Better (Worse)
Consolidated Financial Results			
Gross profit and net revenue from services	$ 98,124	$ 85,959	14.2%
Operating, general and administrative expenses	$ (82,302)	$ (81,755)	(0.7%)
EBITDA	$ 15,822	$ 4,204	276.4%
Net earnings (loss)	$ (6,834)	$ (12,995)	47.4%
Earnings (loss) per share – basic and diluted	$ (0.16)	$ (0.29)	44.8%
Cash flow provided by operations	$ 1,198	$ (9,253)	112.9%
Cash flow provided by (used in) operations per share	$ 0.02	$ (0.21)	109.5%
Property, plant and equipment expenditures	$ 2,795	$ 6,826	(59.1%)
Grain Handling Segment			
Gross profit and net revenue from services	$ 61,017	$ 52,773	15.6%
Industry shipments – six major grains (tonnes)	8,606	7,650	12.5%
Grain shipments – country elevators (tonnes)	2,961	2,667	11.0%
Industry terminal handle – six major grains (tonnes)	5,110	4,941	3.4%
Terminal handle (tonnes)*	1,853	1,671	10.9%
% Terminal handle to grain shipments	62.6%	62.7%	(0.1pt)
Market share (%)	34.4%	34.9%	(0.5pt)
Margin ($ per grain tonne shipped)	$ 20.61	$ 19.79	4.1%
Crop Production Services Segment			
Gross profit and net revenue from services	$ 15,806	$ 16,135	(2.0%)
Seed sales	$ 1,013	$ 766	32.2%
Crop nutrition sales	$ 46,724	$ 42,090	11.0%
Crop protection sales	$ 20,341	$ 22,937	(11.3%)
Average margin	23.2%	24.5%	(1.3pt)
Livestock Services Segment			
Gross profit and net revenue from services	$ 17,136	$ 12,879	33.1%
Feed sales (tonnes)	366	246	48.8%
Feed margin ($ per feed tonne sold)	$ 42.41	$ 41.65	1.8%
Non-feed gross profit & net revenue from services	$ 1,613	$ 2,633	(38.7%)
Financial Markets Segment			
Gross profit and net revenue from services	$ 4,165	$ 4,172	(0.2%)
Corporate			
Operating, general and administrative expenses	$ (8,467)	$ (8,977)	5.7%

Company terminal handle (or receipts) excludes grain handled through the Prince Rupert Grain Terminal, in which it has an interest.

For 2006, the fourth quarter EBITDA of $15.8 million represents the Company's best fourth quarter EBITDA since the merger in 2001. The net loss of $6.8 million (or $0.16 basic and diluted loss per share) improved $6.2 million over the same quarter of the prior year. Highlights of the segments contributing to the improved performance are as follows:

Grain Handling

- The Company's total grain shipments of 3.0 million tonnes for the quarter ended October 31, 2006 were 294,000 tonnes (or 11%) higher than the 2.7 million tonnes shipped in the same quarter last year. This compares to an increase in industry shipments in the quarter of 12.5%.
  Grain handling margins for the three month period ending October 31, 2006 improved to $20.61 per tonne from $19.79 per tonne in the same period of 2005. The increase is due primarily to lower grade premiums paid in the fourth quarter compared to the same quarter last year.

Crop Production Services

- Crop Nutrition sales in the fourth quarter of 2006 improved by $4.6 million to $46.7 million compared to $42.1 million in the same quarter last year, driven primarily by an increase in fertilizer tonnes sold. Sales of Crop Protection products were marginally lower in the latest quarter due to reduced sales prices for products coming off patent protection and drier weather conditions through the summer that resulted in earlier maturation of the crops in some regions. Overall gross profit for the segment declined modestly, to $15.8 million for the quarter ended October 31, 2006 from $16.1 million for the same period of the prior year. The main factor contributing to the reduction in gross profit was the reduction in chemical sales, coupled with lower supplier rebates accrued in the fourth quarter.

Livestock Services

- Total feed tonnes sold in the quarter increased by 48.8% to 366,000 tonnes from 246,000 tonnes for the same quarter of the prior year. This increase was driven entirely by tonnes attributable to the Company's recent acquisition of Hi-Pro which was finalized on August 14, 2006, offset in part by a modest reduction in tonnes sold in the Canadian operations, reflecting the Company's divestiture of its Armstrong feed mill earlier this year.
  Feed margins improved in the fourth quarter of 2006 by 1.8%, increasing to $42.41 from $41.65 received for the same quarter of the prior year, despite

the impact of lower margins on feed sales attributed to the Company's newly acquired U.S. operations.

- Non-feed gross profit declined to $1.6 million in the quarter, a reduction of $1.0 million from the prior year. This was due mainly to lower hog margins in the quarter and lower earnings from the Company's investment in The Puratone Corporation, offset in part by higher freight revenues.
- The acquisition of Hi-Pro during the fourth quarter of 2006 resulted in incremental feed volumes of 134,000 tonnes, additional gross profit of $4.9 million, additional OG&A expenses of $3.0 million and an increase in EBITDA for the segment of $1.9 million.

Cash flow provided by operations of $1.2 million ($0.02 cash flow provided by operations per share) improved by $10.5 million in the fourth quarter of 2006, with the contribution from improved operating earnings offset in part by a $2.2 million loss realized on the settlement of an interest rate swap in the fourth quarter (see the previous discussion under "Business Segment Performance – Gain on Disposal of Assets and Loss on Settlement of Swap" and the related discussion in "Liquidity and Capital Resources – Debt" below).

OTHER MATTERS

RELATED PARTY TRANSACTIONS

The Company transacts with related parties in the normal course of business at commercial rates and terms. The Company receives a shipper's return for grain movement through its investment in the port terminal at Prince Rupert. The Company purchases crop protection products through a member-owned purchasing cooperative, Inter-provincial Cooperative Limited, which entitles the Company to receive patronage earnings. The Company also sells commodities to its principal shareholder, Archer Daniels Midland Company, and its subsidiaries and associated companies.

Total sales to non-consolidated related parties were $89.9 million for the twelve-months ended October 31, 2006 (2005 – $95.1 million) and total purchases from related parties over the same period were $54.8 million (2005 – $42.2 million). At October 31, 2006, accounts receivable from and accounts payable to related parties totaled $11.4 million (2005 – $6.6 million) and $343,000 (2005 – $117,000), respectively.

ACCOUNTING POLICY CHANGES

Foreign Currency Translation

Effective May 15, 2006, as a result of obtaining independent financing for Demeter, the Company changed its accounting for this U.S. subsidiary from an integrated foreign operation to a self-sustaining foreign operation using the current rate method on a prospective basis. Under the current rate method, monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rate while revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements of a self-sustaining enterprise are deferred and included in a currency translation account within shareholders' equity.

Financial Instruments

During 2005, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued new Handbook Sections: Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation, Section 3865, Hedges and Section 1530, Comprehensive Income. These accounting standards are to be applied to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. The Company will adopt the new sections on November 1, 2006, with the first reporting period being the first quarter of fiscal 2007. The new sections will be applied prospectively without prior year comparative financial statement restatement.

These standards provide guidance on the recognition, measurement and classification of financial assets and financial liabilities. All financial instruments, including derivatives, are to be included on a company's balance sheet and measured, either at their fair values or, in circumstances when fair value may not be considered most relevant, at amortized cost or cost.

These standards establish a new measure of income: comprehensive income. Comprehensive income represents the entire change in the net assets of an entity for a period and has two components – net income and other comprehensive income. The new section provides guidance for reporting items in other comprehensive income, which will be included on the Consolidated Balance Sheets as a separate component of shareholders' equity.

The standards also establish new accounting requirements for hedges, including the criteria under which hedge accounting can be applied and how changes in fair value are to be reflected on the balance sheet, in income or other comprehensive income. For fair value hedges, where changes in the fair value of assets or liabilities are being hedged, the change in the fair value of derivatives and hedged instruments attributable to the hedged risk is recognized in net income. For cash flow hedges any gain or loss is recognized, to the extent the hedge is effective, in other comprehensive income, until the hedged items are recognized in net income. Any ineffectiveness of designated hedges (either fair value or cash flow) is immediately recognized in income.

The Company is determining the impact that these changes in accounting policy will have on its consolidated financial statements once adopted, based on recently released transitional guidance. At transition the Company's financial instruments, including derivatives, will be remeasured to comply with the requirements of the new sections. The impact of the remeasurement will be reflected as an adjustment to the values of the financial assets and financial liabilities on the balance sheet with an offsetting transition adjustment recorded in opening retained earnings and opening accumulated other comprehensive income, as appropriate.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP necessitates the use of management estimates, assumptions and judgment that affect reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Although management reviews its estimates on an ongoing basis, actual results may differ from these estimates as confirming events occur. The following components of the financial statements depend most heavily on such management estimates, assumptions and judgment, any changes in which may have a material impact on the Company's financial condition or results of operations. For more information about certain assumptions and risks that may affect these estimates, assumptions and judgments, please see "Forward Looking Information" on page six of this report.

Valuation of Long-lived Assets and Asset Impairment

Goodwill is not amortized and is assessed for impairment at the business unit level at least annually or whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. Potential goodwill impairment is identified by comparing the fair value of a business unit, estimated using discounted cash flows, to its carrying value. Should the carrying value exceed the assessed fair value of the business unit, the goodwill impairment would result in a reduction in the carrying value of goodwill on the balance sheet and the recognition of a non-cash impairment charge in the Consolidated Statement of Earnings. While the Company believes that all of its estimates are reasonable, there exists inherent uncertainties that management may not be able to control. As a result, the Company is unable to reasonably quantify the changes in its overall financial performance if it had used different assumptions and it cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported.

The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows.

The Company's comprehensive restructuring plan to rationalize its country operations involves the expected demolition or sale of redundant locations, either closed or expected to be closed. The remaining provision for demolition and other cash costs associated with the closure of these facilities was $1.9 million at October 31, 2006 (2005 – $3.7 million). The Company's net book value of fixed assets has been written down to reflect the value of facilities expected to be sold or dismantled. A substantial change in estimated undiscounted future cash flows for the Company's assets could materially change their estimated fair values, possibly resulting in additional impairment. Changes which may impact future cash flows include, but are not limited to, competition and general economic conditions and unrecoverable increases in operating costs.

Future Income Taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying values of assets and liabilities. The current and future income tax assets and liabilities are also impacted by expectations about future operating results and the timing of the reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Changes or differences in these estimates or assumptions may result in changes to the current and future income tax assets and liabilities on the Consolidated Balance Sheet and a charge to or recovery of income tax expense.

As at October 31, 2006, the Company had loss carry-forwards of approximately $310 million (2005 – $317 million) available to reduce income taxes otherwise payable in future years, with approximately $34 million (2005 – $93 million) expiring between October 2008 and 2010. Losses subject to expiry represent the net losses of the Company, excluding discretionary deductions such as capital cost allowance. The reduction of $59 million from the prior year reflects the estimated taxable income (exclusive of discretionary deductions) for 2006 that will be applied to reduce the losses.

A future tax asset of $80 million has been recorded as at October 31, 2006 in respect of the Company's unutilized losses, with an additional $20 million classified as a short-term future tax asset. Management regularly assesses the Company's ability to realize net future income tax assets based on all relevant information available and has concluded that it is more likely than not that these loss carry-forwards can be fully utilized prior to expiry. In making its assessment, the Company considered, among other things, historical and projected future earnings. Accordingly, the Company has not recorded a valuation allowance related to these assets. If the Company's projected future earnings do not materialize to the extent required to permit the full realization of these loss carry-forwards, the Company would record an appropriate valuation allowance in the period when such a determination is made. This would result in a decrease to reported earnings and an increase to the Company's effective tax rate in that period.

Pension and Other Post-Employment Benefits

Certain estimates and assumptions are used in determining the Company's defined benefit pension and other post-employment benefit obligations, including the discount rate, the expected long-term rate of return on plan assets and expected growth rate of health care costs. These assumptions depend on various underlying factors such as economic conditions, investment performance, employee demographics and mortality rates. These assumptions may change in the future and may result in material changes in the pension and employee benefit plans expense recorded in OG&A. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. A substantial number of the Company's employees are members of its defined contribution plans. The Company's remaining defined benefit plans cover a closed group of members and all retirees prior to the Company's conversion to defined contribution plans.

For 2006, the discount rate used for calculation of the accrued benefit obligation of the pension benefit plans was 5.2% (2005 – 5.5%) and for other future benefits was 5.5% (2005 – 6.25%). The expected long-term rate of return on plan assets for pension benefit plans for 2006 was 6.7% (2005 – 6.7%). A one percentage-point decrease in the assumed return on plan assets would increase the pension expense by $1.2 million. A one percentage-point decrease in the assumed discount rate would increase the pension expense by $221,000 and the accrued benefit obligation by $12.9 million and increase the other future benefit expense by $73,000 and the accrued other future benefit obligation by $1.0 million. A one percentage-point increase in the assumed trend in health care cost would increase interest costs by $7,000 and increase

the accrued benefit obligation by $319,000. The sensitivity of each assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligations or benefit plan expenses.

Environmental Matters

The Company's other long-term liabilities include its *pro rata* share of the asset retirement obligation ("ARO") associated with a joint venture's fertilizer manufacturing and processing plants which discontinued operations in 1987. The reclamation project is estimated to be substantially completed by 2015 and the joint venture's management continues to believe that the ARO is adequate. The Company's share of the ARO was $15.1 million at October 31, 2006 (2005 – $17.4 million). The Company's other long-term liabilities at October 31, 2006 also included a further $5.0 million provision (2005 – $5.0 million) accrued by the Company as part of its revaluation of the liabilities of Agricore Cooperative Ltd. on acquisition at November 1, 2001.

Cash Flow Provided by (Used in) Operations
For the years ending October 31
(in thousands – except percentages and per share amounts)

	2006	2005	Better (Worse)
EBITDA	$ 140,636	$ 128,737	$ 11,899
Add (Deduct):			
Non-cash compensation expense (recovery)	(234)	2,394	(2,629)
Other non-cash expenses	615	917	(302)
Investment tax credits	(2,075)	—	(2,075)
Cash Settlement on Swap	(2,170)	—	(2,170)
Distributions (earnings) from equity investments	595	(2,166)	2,761
Adjusted EBITDA	137,367	129,882	7,484
Interest expense	(52,813)	(49,877)	(2,936)
Pre-tax cashflow provided by operations	84,554	80,005	4,548
Current income taxes	(207)	(4,703)	4,497
Cash flow provided by operations	$ 84,347	$ 75,302	$ 9,045
Cash flow provided by operations per share	$ 1.83	$ 1.64	$ 11.6%

LIQUIDITY AND CAPITAL RESOURCES

SOURCES AND USES

Cash Flow Provided By Operations

Per share calculations for the respective periods as shown include a reduction in cash flow provided by operations for the cost of the $1.1 million annual preferred share dividend. Current income taxes are significantly less than the prevailing tax rate on pre-tax cash flows due to the tax shield provided by capital cost allowance and the Company's loss carry-forwards. Accordingly, current income taxes historically reflected Large Corporation Capital Tax as well as the taxable position of certain subsidiaries. As noted previously under "Business Segment Performance – Income Taxes", the elimination of the Large Corporation Capital Tax in 2006, together with a current year recovery of prior year taxes and lower taxes in subsidiaries resulted in a $4.5 million reduction in current taxes in 2006.

Non-Cash Working Capital

Overall inventory levels at October 31, 2006 increased $25.4 million from the prior year. Non-CWB grain inventories increased over the prior year due to higher physical stocks associated with non-CWB grains and oilseeds. The $45.0 million decrease in crop nutrition inventory reflects both higher fall sales which contributed to lower end-of-season carryout as well as lower fertilizer pricing compared to the prior year. The increase in other merchandise held for resale is due mainly to higher feed inventories attributable to Hi-Pro.

Accounts receivable at October 31, 2006 includes a $20.0 million receivable related to a funded finite insurance layer of the Company's former grain volume insurance policy which lapsed this year. The remaining reduction of

Non-cash Working Capital
As at October 31
(in thousands)

	2006	2005	Sources (Uses)
Inventory			
Non-CWB grain inventory	$ 194,452	$ 133,134	$ (61,318)
Seed inputs held for resale	15,357	14,771	(586)
Crop nutrition products	85,674	130,695	45,021
Crop protection products	90,366	88,656	(1,710)
Other merchandise held for resale	21,608	14,753	(6,855)
	407,457	382,009	(25,448)
Accounts receivable	188,760	232,128	43,368
Prepaid expenses	10,884	17,106	6,222
Accounts payable and accrued expenses	(320,689)	(313,233)	7,456
	$ 286,412	$ 318,010	$ 31,598

$63.4 million relates primarily to accelerated timing of collections in Grain Handling receivables in 2006 compared to the prior year and reduced receivables in the CPS segment.

Capital Expenditures, Acquisitions and Divestitures

Capital expenditures of $21.1 million for the year ended October 31, 2006 decreased $15.3 million over the same period last year as the construction of the Carman Bean Plant was largely completed in 2005 and no individually large capital projects were undertaken in 2006. Some of the more notable expenditures in the current year include $4.5 million for grain and fertilizer facility upgrades, $3.3 million for upgrades to computer information storage devices and switches, networking communications equipment and related disaster recovery systems, $1.9 million for upgrades to the Thunder Bay port terminal, $800,000 for feed mill equipment and $1.2 million for upgrades to the Company's financial reporting software. There are no delays or material cost overruns expected, related to completing these projects.

The Company expects to use cash flow provided by operations to fund between $35.0 million and $40.0 million in capital expenditures in fiscal 2007, including $11.4 million to complete projects already underway. These capital expenditure commitments at October 31, 2006 include a large variety of sustaining capital expenditure projects, none of which is individually significant.

In 2006, the Company acquired the operating assets of Mattinson Farm Services Ltd., the remaining 50% interest in its Lloydminster Joint Venture and the assets of Hi-Pro, a feed manufacturing business headquartered in Friona, Texas. The net consideration for these acquisitions was $57.0 million, which included working capital of $8.7 million and $14.5 million of goodwill and intangibles. The purchases were accounted for using the purchase method, with the results of the operations of these businesses included in the Consolidated Financial Statements from the date of acquisition. No material closing adjustments remain outstanding in respect of these acquisitions, although the preliminary purchase price allocation between goodwill and intangible assets for Hi-Pro will be finalized in a subsequent period.

Divestitures for the 2006 fiscal year include the operating assets and working capital of the Company's feed mill in Armstrong, B.C., and the sale of a U.S. partnership interest held by Demeter. Neither of these divestitures is expected to have a material impact on future operating results.

Contractual Obligations

The Company's contractual obligations due for each of the next five years and thereafter are summarized below:

Contractual Obligations
(in thousands)

		Payments Due by Period			
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Balance Sheet Obligations					
Long-term debt	**$ 356,233**	$ 21,932	$ 39,356	$ 47,925	$ 247,020
9% convertible unsecured subordinated debenture[1]	**105,000**	—	105,000	—	—
Reclamation provision	**15,107**	3,276	8,385	1,568	1,878
Other long-term obligations	**5,412**	—	412	—	5,000
	481,752	26,625	150,911	49,726	254,490
Other Contractual Obligations					
Operating leases	**78,451**	15,594	22,779	12,462	27,616
Purchase obligations[2]	**436,195**	415,414	20,160	621	—
	514,181	430,779	42,721	13,065	27,616
Total Contractual Obligations	**$ 995,933**	$ 457,404	$ 193,632	$ 62,791	$ 282,106

[1]As per Note 25 to the 2006 Consolidated Financial Statements, on November 30, 2006, the Company provided notice to redeem the Debentures on January 10, 2007. The redemption obligation will be satisfied by the issuance of Limited Voting Common Shares, with any accrued interest and unpaid interest to be settled in cash.
[2]Substantially all of the purchase obligations represent contractual commitments to purchase commodities and products for resale.

DEBT

Debt Ratings

The Company's debt ratings issued by Standard & Poor's, Dominion Bond Rating Service Limited and Moody's Investor Service are detailed below.

	Revolving Facility	Senior Secured Facility (Term B Loans)	Senior Notes[4]	9% Convertible Unsecured Subordinated Debentures	Series 'A' Convertible Preferred Shares
Standard & Poor's[1]	BB+	BB	BB	B+	na
Dominion Bond Rating Service Limited[2]	BB	BB (low)	BB (low)	na	Pfd-4
Moody's Investors Service[3]	Ba2	Ba3	na	na	na

The Corporate Ratings issued for the Company were as follows: Standard & Poor's: BB; Moody's Investor Services: Ba3

[1] As at November 8, 2006
[2] As at November 7, 2006
[3] As at November 8, 2006
[4]Senior Notes include the A and B Notes, the Term Notes held with a U.S. life insurer and the Cascadia Notes. DBRS' rating of the Senior Notes excludes the Cascadia Notes.

As described in Note 25 of the 2006 Consolidated Financial Statements, on November 7, 2006, subsequent to the fiscal year end, an unsolicited takeover offer was announced by Saskatchewan Wheat Pool Inc. As a result of this announcement, each of the ratings agencies affirmed their respective credit rating, however each agency changed the outlook from "stable" to "developing".

Short-term Debt

Bank loans of $112.0 million at October 31, 2006, which includes $8.0 million (2005 – $24.2 million) in borrowings of subsidiaries and joint ventures, were $66.2 million lower than a year earlier, as sources of cash exceeded uses, due in part to a $9.0 million increase in cash flow provided by operations (see "Sources and Uses – Cash Flow Provided by Operations").

Non-cash working capital decreased $31.6 million year-over-year (2005 – increased $70.3 million) for the reasons noted above under "Sources and Uses – Non-Cash Working Capital". Net capital expenditures increased by $47.2 million, with the reduction in sustaining capital expenditures of $15.3 offset by a $57.0 million increase in expenditures for new business acquisitions and a $4.9 million increase in other assets.

Net advances from long-term debt of $32.7 million reflected proceeds of $155.4 million received as a result of new long-term debt issues (see "Long-Term Debt" below), offset by $39.7 million in scheduled long-term debt repayments under the terms of the Company's various loan agreements and an additional $83.0 million for settlement of the Company's Syndicated Term Loan at par. The $23.5 million increase in cash and cash equivalents compared to last year-end largely reflected an increase in cash held by its subsidiaries and joint ventures pending the settlement of trade credit obligations or the distribution of cash to the subsidiaries' shareholders and joint venturers as well as deposits in transit. Cash distributions from the Company's principal subsidiaries (those in which the Company has at least a 50% interest) occur at regular intervals and the Company maintains an active role in all decisions affecting cash distributions from these subsidiaries.

The Company's outstanding letters of credit at October 31, 2006 decreased by $33.8 million compared to the prior year due mainly to the reduction of credit security in the latter half of the year provided in support of the Company's grain volume insurance program and the release of credit security for electronic data interchange and other wire payments. The remaining outstanding letters of credit are issued in the normal course of business in support of debt related to the Company's interest in the Cascadia Terminal and trading activities on the Winnipeg Commodity Exchange.

The Company's available uncommitted short-term revolving facility at October 31, 2006 increased by $70.4 million to $230.3 million as a result of the Company reducing its bank loans by $66.2 million and a $33.8 million reduction in letters of credit outstanding. Although the available revolving facility was $425 million as at October 31, 2006, only $342.3 million was available at October 31, 2006 (2005 – $368.7 million) based on the underlying borrowing base.

In September 2006, the Company arranged for a three-year revolving facility with a syndicate of banks to replace its existing facility which was due to expire in February 2007. The new facility matures November 30, 2009, increases the seasonal limit between January 1 and May 31 from $475 million to $525 million and reduces the carrying cost to between prime and prime plus 0.9% (depending on the Company's fixed charge ratio). Earlier in the year, the Company also finalized an independent credit line for Demeter, its U.S. based subsidiary to mitigate the Company's future exposure to U.S. currency fluctuations. The short-term portion of this facility consists of a US$8.5 million revolving demand credit facility, with interest at the U.S. prime rate.

Short-term Debt
For the years ending October 31
(in thousands)

	2006	2005	Better (Worse)
Cash flow provided by operations	$ 84,347	$ 75,302	$ 9,045
Decrease (increase) in non-cash working capital	31,598	(70,265)	101,863
Working capital acquired	8,748	—	8,748
Other non-cash increases in working capital	20,739	258	20,481
	145,432	5,295	140,137
Net capital expenditures and investments	(85,878)	(38,721)	(47,157)
Financing Activities			
Scheduled debt repayments, net of advances	32,742	(38,641)	71,383
Dividends paid	(6,549)	(6,546)	(3)
Deferred financing and other costs	(9,094)	(4,071)	(5,023)
Member and staff loan repayments, net	(988)	(491)	(497)
Share capital issued, net of issue costs	484	366	118
Decrease (increase) in cash on deposit	(9,914)	13,624	(23,538)
Currency translation adjustment	(13)	—	(13)
Sources (uses) of cash	66,222	(69,185)	135,407
Bank loans, beginning of the period	(178,185)	(109,000)	(69,185)
Bank loans, end of the period	(111,963)	(178,185)	66,222
Member and employee loans	(21,642)	(22,630)	988
Bank and other loans	$ (133,605)	$ (200,815)	$ 67,210
Revolving Credit Facility:			
Outstanding letters of credit	$ 22,892	$ 56,741	$ 33,849
Available uncommitted short-term revolving facility	$ 230,298	$ 159,920	$ 70,378
Revolving facility	$ 425,000	$ 425,000	$ —

Cash flow provided by operations of $84.3 million for the year ended October 31, 2006 exceeded the $28.9 million invested in net capital expenditures and other assets (excluding capital expenditures for acquisitions of $57.0 million which were financed primarily with additional long-term debt), by $55.4 million. Scheduled principal repayments on long-term debt and shareholder dividends totaled $46.2 million over the same period.

Management believes that cash flow from operations and the existing credit facilities will continue to provide the Company with sufficient financial resources to fund its expected working capital requirements, planned capital expenditure program, financing and debt servicing requirements for the foreseeable future. This expectation is predicated on the Company's expectation of future commodity and crop input prices, the expected turnover of inventory and accounts receivable components of working capital, and the continued support of the Company's lending group. However, as a result of the replacement of our annual short-term facility with a three year committed facility, refinancing risk has been substantively addressed. The refinancing of the long-term debt (see discussion below) has also contributed to additional flexibility since the pricing and debt servicing requirements of the Term B Loan are more favourable than the previous Syndicated Term Loan.

Long-Term Debt

The Company made $39.7 million of scheduled principal repayments during the course of the year. Additionally, on September 6, 2006, the Company renegotiated some of its long-term debt financing arrangements to provide for a US$138 million senior secured term loan (the "Term B Loan"). Proceeds of approximately US$50 million were advanced to the Company's wholly-owned U.S. subsidiary, Agricore United Holdings Inc., to finance the Company's acquisition of Hi-Pro and for general corporate purposes. Lenders advanced the balance of US$88 million to the Company to repay the existing Syndicated Term Loan and for general corporate purposes. The Term B Loan matures September 2013, is repayable in quarterly installments of US$345,000 to maturity (or may be repaid in full at any time without premium) and carries a floating interest rate of U.S. LIBOR plus 1.75%. The Term B Loan will rank pari passu with the Company's Term Notes, Series A Notes and Series B Notes, which are secured by specific charges over material fixed assets and a floating charge over all other assets of the Company and its material wholly-owned subsidiaries. In addition to the short-term facility arranged for Demeter as explained above, an additional long-term facility for US$2.5 million was also arranged, which matures on April 30, 2011 and carries an interest rate based on the U.S. prime rate plus 0.5%.

Concurrent with finalizing the Term B Loan, an interest rate swap was arranged with a Canadian Schedule I chartered bank to fix the floating interest rate component on the US$50 million tranche at 7.17% for the duration of the loan, thereby locking in a favourable interest rate and effectively mitigating the interest rate risk on this portion of the financing. In addition, in order to mitigate the currency risk associated with the remaining portion of the Term B Loan, the Company entered into a cross currency interest rate swap agreement with a Canadian Schedule I chartered bank for the duration of the loan to hedge the US$88 million to a Canadian dollar equivalent of $97.3 million with a floating interest rate of 6.415% as at October 31, 2006, based on Canadian Bankers' Acceptances plus 2.085%.

Total long-term debt of $356.2 million at October 31, 2006 consisted of $153.1 million for the Term B Loan, $94 million of Term Notes (due 2016), $99.3 million in Series A, Series B and Cascadia Series B Notes (maturing between 2011 and 2023) and $9.8 million of long-term subsidiary debt. Of this total, $21.9 million is scheduled for repayment within the next 12 months.

Convertible Debentures

On November 22, 2002, the Company issued $105 million in Debentures, maturing November 30, 2007. The Debentures are convertible, at the option of the holder prior to the maturity date at a conversion price of $7.50 per share or 133.3333 Limited Voting Common Shares per $1,000 principal amount of Debentures (an aggregate of 14 million Limited Voting Common Shares assuming conversion of all of the Debentures). As at October 31, 2006, none of the Debentures had been redeemed or converted into Limited Voting Common Shares.

Subsequent to the end of the fiscal year, the Company announced its intention to redeem the outstanding Debentures as at January 10, 2007 (the "Redemption Date"). The Company will settle the principal amount of the Debentures by issuing and delivering Limited Voting Common Shares and will settle any accrued and unpaid interest on the Debentures in cash at the rate of $9.86 per $1,000 principal outstanding on the Redemption Date. The amount of the accrued interest on the Debentures may be less to the extent holders of the Debentures exercise their right to voluntarily convert at any time prior to 5:00 p.m. (Eastern Standard Time) on January 9, 2007.

The number of Limited Voting Common Shares to be issued pursuant to the redemption will be determined by dividing the principal amount of the outstanding Debentures on the Redemption Date by 95% of the volume weighted average trading price of the Limited Voting Common Shares on the Toronto Stock Exchange for 20 consecutive trading days ending on January 3, 2007. The Company will pay the cash equivalent value in lieu of issuing fractional Limited Voting Common Shares.

OFF-BALANCE SHEET OBLIGATIONS AND ARRANGEMENTS

Pension Plan

At October 31, 2006, the market value of aggregate plan assets of the Company's various defined benefit plans exceeded the aggregate accrued benefit obligations. In 2006, the Office of the Superintendent of Financial Institutions ("OSFI") approved the Company's amalgamation application to combine two of the defined benefit plans, such that the new combined plan will be in a net surplus position. The Company has also applied to OSFI to amalgamate another defined benefit plan with a surplus of $9.9 million with a defined benefit plan with a deficit of $4.3 million, which would result in the Company having a second amalgamated defined benefit plan with an aggregate surplus. However, if OSFI were to decline the second amalgamation application, the Company may be required to fund a defined benefit plan deficit over a period of five to 15 years. The Company reported a deferred pension asset of $14.4 million in Other Assets at October 31, 2006. The Company made $593,000 in cash contributions to its defined benefit plans and $5.9 million in cash contributions to the defined contribution and multi-employer plans for the year ended October 31, 2006 (compared to the pension expense of $5.3 million recorded in the financial statements).

Agricore United Financial and Unifeed Financial

AU Financial provides working capital financing, through a Canadian Schedule I chartered bank, for producers to purchase the Company's crop nutrition products, crop protection products and seed. Outstanding credit of $298.8 million at October 31, 2006 advanced through AU Financial, decreased from outstanding credit of $323.8 million at the same date last year, due to a higher volume of payments received prior to October 31, 2006. At the same time, credit over 90 days increased modestly to 2.3% of total outstanding receivables from 1.8% a year earlier. About 89% of outstanding credit is related to AU Financial's highest credit rating categories, comparable to 90.2% the prior year. The Company indemnifies the bank for 50% of future losses under AU Financial to a maximum limit of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio.

Unifeed Financial provides additional working capital financing, through a Canadian Schedule I chartered bank, for livestock producers to purchase feeder cattle, feeder hogs and related feed inputs under terms that do not require payment until the livestock is sold. The customer base for Unifeed Financial tends to be smaller with individually larger average credit balances compared to AU Financial. Unifeed Financial approved $78.2 million (2005 – $45.8 million) in credit applications of which customers had drawn $34.9 million (2005 – $21.8 million) at October 31, 2006. The Company has indemnified the bank for aggregate credit losses of up to $8.2 million based on the first 20% to 33% of new credit issued on an individual account as well as for credit losses, shared on an equal basis, of up to 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of underlying accounts and the aggregate credit outstanding.

Securitization Arrangement

The Company has a securitization agreement with an independent trust, which permits the Company to sell, on an unlimited basis, an undivided co-ownership interest in its right to receive reimbursements of amounts advanced to producers arising from the delivery of grains that are held in accordance with an agency contract between the Company and the CWB. Additional information regarding the terms of the Company's securitization agreement is disclosed in Note 4 to the Consolidated Financial Statements.

Either party may cancel the securitization agreement on 60 days notice. In the event of cancellation, the Company would either seek to establish a new securitization or similar program or finance the amounts due from the CWB through the Company's revolving line of credit.

Under the Company's securitization agreement the Company had securitized $35.3 million of amounts it is entitled to receive in respect of CWB grain as at October 31, 2006, compared with $36.2 million at October 31, 2005. About $6.8 million of such receivables remained unsecuritized at October 31, 2006 compared with $4.7 million at October 31, 2005.

SHARE CAPITAL AND RETAINED EARNINGS

Retained earnings of $42.2 million at October 31, 2006 were $14.0 million higher than at October 31, 2005 due to net income for the fiscal year ended October 31, 2006 of $20.6 million, offset by dividends declared of $6.6 million.

Share capital of $460.8 million at October 31, 2006 increased by $484,000 from October 31, 2005. The Company issued 26,902 Limited Voting Common Shares from treasury, as required under its Directors' Share Compensation Plan, representing a minimum of 25% of directors' fees otherwise payable (calculated based on the Toronto Stock Exchange closing price on the last trading day at the quarter-end). The Company also issued 24,963 Limited Voting Common Shares from treasury pursuant to its Dividend Reinvestment Plan. Additional shares of 11,991 were also issued in the year pursuant to a private placement.

Market Capitalization

The market capitalization of the Company's 45,447,174 issued and outstanding Limited Voting Common Shares at December 8, 2006 was $522.2 million or $11.49 per share compared with the Company's book value of $10.85 per share[3] ($10.06 per share fully diluted) at October 31, 2006. The issued and outstanding Limited Voting Common Shares at December 11, 2006, together with securities convertible into Limited Voting Common Shares, are summarized in the table below.

Financial Ratios[1]

The Company's net funded debt of $443.3 million at October 31, 2006 decreased $43.5 million compared to the same date last year due to higher cash flow provided by operations for the twelve months ended October 31, 2006 and scheduled repayments of long-term debt as noted above, offset by additional financing in respect of the acquisition of Hi-Pro, dividends, financing expenses, sustaining investment in property, plant, equipment and other assets, and increased non-cash working capital. The Company's average net funded debt was

Market Capitalization
As at December 8, 2006
(Unaudited)

Issued and outstanding Limited Voting Common Shares	45,447,174
Securities convertible into Limited Voting Common Shares:	
$105,000,000 – 9% convertible unsecured subordinated debentures, maturing November 30, 2007, convertible at 133.3333 shares per $1,000 principal amount	13,993,333
Series A convertible preferred shares, non-voting, $1 dividend per share, cumulative, convertible (1:1 basis), callable at $24	1,104,369
Stock options	1,047,140
	61,592,016

Book value per share is de[illegible] ...le preferred shares had been converted on a 1:1 basis. The fully diluted book value per share is derived by dividing the shareholders' equity (including the Debentures and the value of executive stock [illegible] by the total number of Limited Voting Common Shares outstanding at the end of the period as if the Series A convertible preferred shares, executive stock options and the

Financial Ratios
(in thousands – except percentages and ratios)

	As at October 31			Trailing Twelve Months Ended October 31		
	2006	2005	Better (Worse)	**2006**	2005	Better (Worse)
Funded debt (excluding the Debentures), net of cash	**$ 443,345**	$ 486,838	$ 43,493	**$ 498,209**	$ 441,991	$ (56,218)
EBITDA				**$ 140,636**	$ 128,737	$ 11,899
Ratios						
Current ratio	**1.41x**	1.24x	0.17pt			
Net funded debt to capitalization	**42.1%**	45.0%	2.9pt	**45.8%**	43.1%	(2.7pt)
Earnings based Ratios						
EBITDA to Fixed Charges				**1.17x**	0.94x	0.23pt
Average Net Debt to TTM EBITDA				**3.54x**	3.43x	(0.11pt)

$498.2 million for the twelve months ended October 31, 2006 (2005 – $442.0 million). The increase in average net funded debt from the prior year arose from higher levels of working capital carried through the early months of 2006 compared to the prior year (see the discussion under "Business Segment Performance – Interest and Securitization Expenses").

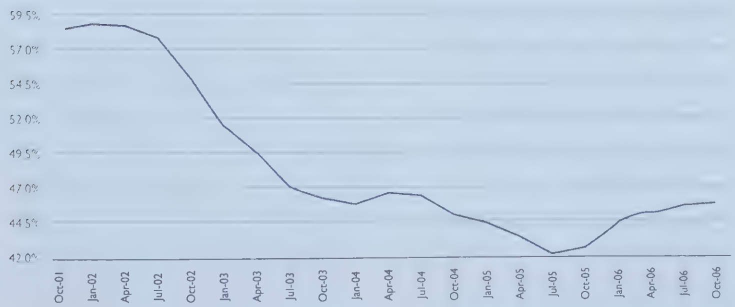
The Company's leverage ratio (net funded debt to capitalization) fluctuates materially from month-to-month due to underlying seasonal variations in short-term debt used to finance working capital requirements, reflecting increased purchases of grain beginning in the fall and crop inputs inventory through the winter and early spring, as well as price volatility in the commodities handled, all of which cannot be financed entirely with trade credit. The Company's leverage ratio typically declines to its lowest quarterly level at July 31, representing the Company's core non-seasonal level of working capital. The Company's leverage ratio decreased to 42.1% for the period ended October 31, 2006 from 45.0% in the prior year. In addition, the Company's EBITDA to Fixed Charge ratio has improved over last year, increasing to 1.17 for the twelve months ending October 31, 2006, compared to 0.94 for the same period of the prior year.

RISKS

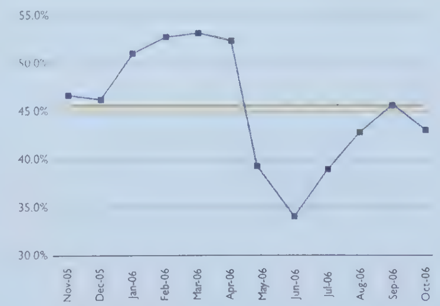
The Company manages risk and risk exposures through a combination of insurance, derivative financial instruments, its system of internal and disclosure controls and sound operating practices.

The effect of weather conditions on farm output represents a significant operating risk to the volume of grain handled and related revenues earned at country elevators and port terminals. Weather, market prices of grain, total volume of grain production and mix of Board and non-Board grain produced in turn affect the volumes and mix of crop production input sales. The Company's elevators and crop input distribution facilities are geographically dispersed throughout the prairie provinces, diversifying the Company's exposure to some of these risks. Effective November 1, 2006, Agricore United has reestablished its integrated insurance program, which includes grain volume insurance covering the Crop Years ending July 31, 2007 to 2009. The new program will also cover many of its traditionally insured risks and provide protection against significant declines in grain volume as a result of drought or other weather related events. Under the program, the Company will be able to recover cash flows if weather causes shipments to decline below a specified level. For the 2007 Crop Year, the coverage would take effect if industry shipments fell below about 27 million tonnes, to a maximum recovery available at an industry shipment level of about 19 million tonnes.

The Company employs a number of other insurance and retention arrangements to actively manage its property, business interruption, boiler, marine, liability, fidelity, environmental, surety, employee accident and automobile risks and balance the overall, long-term cost with long-term economic benefit. Effective this year, the Company has also fully funded a $20 million finite layer which in conjunction with its integrated insurance program will be applied to many of the Company's traditional property and casualty risks, as well as losses incurred as a result of a weather event which impacts grain shipments. By applying the finite layer to fund certain retained risks within the Company, the Company has mitigated the overall costs that would be associated with transferring those risks to a third party.



Net Funded Debt to Capitalization (%)
Trailing Twelve Month ("TTM") Average



Net Funded Debt to Capitalization (%)

Leverage (Net Debt:Capitalization)
Average

Exposure to inventory losses is managed through a variety of quality control processes, inventory management and shipping practices, ongoing staff training, and facilities management and maintenance. The Company complies with environmental regulations and uses special storage facilities and transportation methods to manage exposures from certain environmental hazards associated with the storage and handling of fertilizers and crop protection products.

To address consumer awareness and concern over food safety and "traceability", Agricore United has established a number of processes to track and identify crops at every stage of production from seed to customer delivery to meet international standards, including HACCP – the internationally recognized system of quality control for food safety – and ISO 9000 certification for the processing and export of grains, oilseeds and special crops. ISO 9001:2000 registration and HACCP compliance are verified by third-party audits. As at October 31, 2006, all of the Company's port terminals, except PRG, are registered to ISO 9001:2000 and are HACCP compliant. The Company's Thunder Bay Terminal A and Terminal S are also GMP 13 (Good Manufacturing Practices) compliant. The Company's country elevator network includes 52 HTEs, 2 joint venture HTEs, 27 conventional elevators and 3 special crop facilities which are registered ISO 9001:2000 and are HACCP compliant. The Company's seven Canadian feed mills and two pre-mix facilities comply with all federal regulations and are HACCP certified or compliant. In addition, Canadian operations are inspected by the Canadian Food Inspection Agency ("CFIA") and U.S. feed mills are inspected by state and federal agencies in the United States. To deal with concerns such as bovine spongiform encephalopathy ("BSE"), the CFIA has implemented a feed ban that prohibits the use of cattle protein in the production of cattle feed. A further ban will be extended to all animal feed, pet feed and fertilizer in 2007, which will reduce the likelihood of spreading BSE through contaminated feed. In the U.S., feed safety concerns around BSE are limited as Hi-Pro does not use cattle protein nor any other animal by-products in the production of animal feed.

Agricore United uses derivative financial instruments, where available, to manage market risks resulting from fluctuations in underlying interest rates, foreign exchange rates and commodity prices by creating essentially equal and offsetting market exposures. Fundamentally, Agricore United attempts to mitigate risk whenever possible. The derivative financial instruments held by Agricore United are principally held for purposes other than derivatives trading. If Agricore United did not use financial instruments, its exposure to market risk would be greater.

The information technology systems of the Company are a key contributor to the profitability of the Company and provide a strategic competitive advantage that is reflected in its operating profitability. These systems, provide superior real time connections between farmer customers, front-line operations, transportation and logistics services, the corporate office and even end-use customers. In order to address the risk of significant technology failure, particularly during one of the Company's compressed sale or purchasing cycles, a Disaster Recovery Project ("DRP") was completed by the Company in 2006. The DRP established a secondary Data Centre, remote from the primary Data Centre, but linked using high speed data communications. The secondary Data Centre handles non-critical applications while mirroring in real time the activity of the primary Data Centre. In the event of a failure at the primary site, the secondary site will immediately assume the role of the primary processors and continue in this mode until normal service is restored. The investment made in this project illustrates the high value placed by Agricore United on corporate information and the need to provide continuous and uninterrupted access to corporate systems.

The Government of Canada has indicated that it will move to remove the monopoly powers of the Canadian Wheat Board and implement a voluntary marketing structure. Some actions have been taken to move this policy forward, including a recent announcement by the Minister of Agriculture and Agri-Food and Minister responsible for the Canadian Wheat Board to hold a farmer plebiscite in early 2007 on barley marketing. The Government has also released a task force report that outlines how the CWB could be structured and operated in a voluntary marketing environment. While progress on these changes has been significant this past year, the timing, nature and extent of future changes may depend on the opposition parties' support of the Government's policies regarding the CWB, particularly given the current minority configuration in the House of Commons. While the Company believes it is well positioned to achieve the same or superior operating effectiveness in a new regulatory environment, there is still some uncertainty associated with these changes. However, the Company, through its government relations group, strives to keep abreast of the changes as they unfold to ensure that it can adapt, no matter what the new operating environment requires.

RISK MANAGEMENT

The Company uses an enterprise risk management protocol that aims at balancing risks with returns, while enabling regulatory, strategic, operational and financial risks to be managed and aligned with overall business objectives. The Company's Corporate Risk Management Committee ("Committee") (consisting of the Chief Executive Officer, Chief Financial Officer and a number of senior personnel in the Company) is mandated by the Board of Directors with the responsibility for identification, analysis, evaluation and management of the principal risks of the Company. In this role, the Committee is accountable for providing direction to management as to specific limits, risk management techniques, approved counterparties and general strategies to be utilized so that all risks can be appropriately accepted, exploited, controlled, transferred, financed or avoided. In addition, it ensures that responsibility for specific risks is clearly delegated and that there are appropriate internal controls and monitoring systems to ensure that defined policies and procedures are adhered to.

The Committee is responsible for reporting on key risk issues to the Risk Review Committee of the Board of Directors. The Risk Review Committee is composed of independent directors, has oversight responsibility for risk management and ensures that management has appropriate and effective policies, operating guidelines and procedures in place to manage risk.

MARKET RISK

A significant source of the Company's revenue is earned by the Grain Handling segment. Earnings in this segment of the business fluctuate in relation to the volume of grain handled and the margin earned on

merchandising open market (non-CWB) grains. In the case of Board grains, the Company earns storage and handling tariffs from the CWB, which are established independently of the market price for the grain. Board grains represented 50% of total grain handled by Agricore United in fiscal 2006 (2005 – 54%).

Since a significant portion of the Company's off-shore transactions are denominated and priced in U.S. dollars, the Company is not directly exposed to volatility in export sales as a result of underlying changes in the relationship between the Canadian dollar and other foreign currencies. The Company may be indirectly affected to the extent that farmer customers are adversely impacted by changes in the underlying exchange value of the Canadian dollar that, over a sustained period, are not compensated for by a corresponding change in input costs (e.g. changes in costs of fuel or crop inputs).

The Company utilizes exchange traded futures contracts whenever possible to manage the exposure associated with fluctuations in the cash price of non-Board grains. In so doing, the Company assumes a basis risk to the extent that the two do not change by directly equivalent amounts. Where exchange traded futures for a particular commodity are not available or where the liquidity of a particular exchange traded future is volatile, Agricore United develops cross-hedges using futures contracts for similar or related products. While the utilization of such hedges reduces exposure to price risk, exposure to basis risk increases, although not proportionately. The Company retains any remaining commodity risks. The Company also employs forward sales contracts to hedge prices for the sale of grain, forages and special crops, forward purchase contracts to fix the costs of supply of livestock feed inputs and prepaid purchases of crop production inputs with future delivery dates. The costs associated with these instruments are included in the cost of sales for the affected business segment.

FOREIGN EXCHANGE RISK

As a significant portion of the Company's net revenues are effectively denominated in U.S. dollars, the Company uses forward exchange contracts and options to hedge this exposure. The costs associated with these hedging activities are included in the cost of sales of the affected business segment.

With its developing presence in the U.S., the Company has mitigated the impact of foreign currency fluctuations on its investment in U.S. subsidiaries by arranging for independent financing through U.S. financial institutions to support those operations.

To mitigate foreign exchange risk on the U.S. dollar loan advanced to the Canadian operations, the Company fixed the foreign exchange conversion on the US$88.0 million of the Company's Term B Loan at a Canadian dollar equivalent of $97.3 million through a cross currency interest rate swap agreement with a Canadian Schedule I chartered bank for the duration of the loan.

INTEREST RATE RISK

To mitigate interest rate risk, the Company fixed the floating interest rate on the US$50.0 million component of the Term B Loan through an interest rate swap with a Canadian Schedule I chartered bank at a rate of 7.17% for the duration of the loan. The Company also manages the interest rate risk on its short-term borrowings by using a combination of cash instruments, futures, options and forward rate agreements. The cost of the interest rate swap as well as the other instruments is included in interest and securitization expenses.

CREDIT RISK

Its counterparties expose Agricore United to credit risk in the event of nonperformance. However, in the case of over-the-counter derivative contracts, the Company only contracts with pre-authorized counterparties where agreements are in place. Agricore United monitors the credit ratings of its counterparties on an ongoing basis. No provision has been made in respect of credit losses on derivative contracts, as Agricore United does not anticipate any non-performance. The Company also requires additional collateral in the form of letters of credit or cash deposits where large grain sale contracts with a particular customer potentially involve concentration of risk.

Exchange traded futures contracts used to hedge future revenues in the Company's grain business are not subject to any significant credit risk as the changes in contract positions are settled daily.

Agricore United manages its exposure to potential credit risk in respect of trade receivable contracts through a rigorous analysis of outstanding positions, payment and loss history and ongoing credit reviews of all significant contracts. The absence of significant financial concentration of such receivables limits its exposure to credit risk. Under AU Financial and Unifeed Financial, the Company has limited its exposure to credit risk by limiting the financial institution's recourse against the Company for indemnification of losses incurred on certain accounts receivable.

OUTLOOK

In addition to other sections of the Company's report, this section contains forward-looking information and actual outcomes may differ materially from those expressed or implied therein. For more information, see "Forward-Looking Information" on page six of this report.

On December 7, 2006, Statistics Canada estimated western Canadian 2006 Crop Year production of the major grains to be about 50.2 million tonnes, compared to a ten year average of 49.3 million tonnes (excluding the unprecedented severe 2002 drought). The quality of the cereal crop is estimated to be above average due to favourable harvest conditions, with over 90% of the crop falling into the top grades and protein content higher than the past two years. Yields for the oilseed crop are below last year, but supply is expected to be offset by high levels of carry-in stocks that existed at the end of the 2006 Crop Year. Production in Manitoba is anticipated to rebound significantly in 2006, up about 66% from the prior year, when excessive moisture devastated crops. Production in Alberta is expected to fall by about 12%, while Saskatchewan production is estimated to fall by about 15%, given flooding in certain regions of the province in 2006. As the Company's market share is concentrated in Manitoba and Alberta, the net increase in production is expected to have a favourable impact on the Company's overall percentage of industry shipments in 2007.

The grain industry typically ships about 65% of the grain produced during the most recent Crop Year over the course of the subsequent 12 months. Based on these averages, the primary grain elevator network would have expected to take delivery of about 34.8 million tonnes during the 2006 Crop Year, compared with the 32.1 million tonnes actually shipped. This shortfall in deliveries into the primary elevator system has contributed to a 2.2 million tonne increase in inventory carry-out

at July 31, 2006, estimated by Agriculture and Agri-Food Canada ("AAFC"), compared to the same time in 2005. Accordingly, receipts and grain shipments for the industry and the Company in 2007 can reasonably be expected to increase. AAFC forecast exports of grains and oilseeds to increase 11% to 31.4 million tonnes in Crop Year 2007. However, future grain shipments remain dependent on several factors, including: producer decisions to deliver their prior year crops and the timing of those decisions; timely and effective execution by the railways of grain movement to port terminals and other North American destinations; and the execution of the CWB marketing program in 2007 which is also tied to producer decisions on grain delivery. These factors are influenced by current and future commodity prices and may be further complicated if producers elect to deliver their commodities in a concentrated time frame – decisions which could strain the railway's capacity to execute shipment.

According to Environment Canada, precipitation levels were above average through most of the prairies in 2006 and with good sub-soil moisture conditions in the early spring, on-farm surface water supplies at November 1, 2006 indicate that no water shortages are anticipated across western Canada, apart from the southernmost area of Saskatchewan along the U.S. border. Natural gas prices (the predominant component in the manufacture of fertilizer) have stabilized at lower levels than earlier this year which should improve fertilizer margins in 2007 compared to 2006.

The acquisition of Hi-Pro on August 14, 2006 resulted in an expansion of the Livestock segment, increasing the annual capacity of its feed manufacturing operations by about 600,000 tonnes. While not necessarily indicative of future performance, on a pro-forma basis for the fiscal year ended October 31, 2006, the EBITDA reported by Hi-Pro would have increased the Livestock segment's contribution to consolidated EBITDA by about $9 million. As the key drivers in the Livestock division are less correlated to those in the grain and crop inputs segments, the acquisition may not only provide for additional diversification of existing business risk, but the geographical expansion could further mitigate the Company's exposure to a number of regional environmental, economic and political conditions specific to the livestock segment.

The collection of AU Financial accounts due on October 31, 2006 increased to 92% of outstanding balances compared to 91% last year. As at December 4, 2006 the Company had already pre-approved 14,275 customers for $528 million in credit for the 2007 growing season compared to 19,300 customers for $625 million in credit last year.

The Company's OG&A expenses increased by 0.5% in the 2006 fiscal year, or less than the rate of inflation. Absent anticipated legal and financial advisory costs in 2007 associated with the unsolicited takeover bid by Sask Pool, the Company believes it will be able to continue to limit the growth in OG&A expenses in fiscal 2007 to less than the rate of inflation.

As discussed previously, the Company has issued a notice that it will exercise its option to redeem its Debentures as at January 10, 2007 by issuing Limited Voting Common Shares as settlement of the outstanding principal amount of $105 million. Assuming no voluntary conversions by Debenture holders prior to January 10, 2007, the Company will save $8.4 million in interest expense compared to what it would have paid through to the maturity of the Debentures on November 30, 2007. On an annualized basis, the Company will save interest of approximately $9.5 million per year.

On November 7, 2006, Sask Pool issued a news release stating that they intended to make a share exchange offer to the shareholders of Agricore United followed by an announcement on November 28, 2006 that Sask Pool had begun mailing a takeover bid circular. On December 12, 2006, the Board of Directors of the Company, upon the recommendation of the Special Committee, unanimously recommended that securityholders reject the Sask Pool offer scheduled to expire on January 24, 2007.

USE OF NON-GAAP TERMS

Earnings before interest, taxes, depreciation and amortization, gains or losses on asset disposals, loss on settlement of swap, discontinued operations net of tax and unusual items ("EBITDA") and earnings before interest, taxes, gains or losses on asset disposals, loss on settlement of swap, discontinued operations net of tax and unusual items ("EBIT") are provided to assist investors in determining the ability of the Company to generate cash from operations to cover financial charges before income and expense items from investing activities, income taxes and items not considered to be in the ordinary course of business. A reconciliation of such measures to net income is provided in Note 23 to the Consolidated Financial Statements and in the table below. Certain items are excluded in the determination of such measures as they are non-cash in nature, income taxes, financing charges or otherwise are not considered to be in the ordinary course of business. EBITDA and EBIT provide important management information concerning business segment performance since the Company does not allocate financing charges or income taxes to these individual segments. Such measures should not be considered in isolation to or as a substitute for (i) net income or loss, as an indicator of the Company's operating performance or (ii) cash flows from operating, investing and financing activities, as a measure of the Company's liquidity.

Free cash flow is provided to assist investors and is used by management in determining the cash flow available to meet ongoing financial obligations, including principal repayments on debt and discretionary dividend payments and refers to cash flow provided by operations less sustaining investing activities. Such measure should not be considered in isolation or as a substitute for cash flow provided by operations as a measure of the Company's liquidity.

Net funded debt is provided to assist investors and is used by management in assessing the Company's liquidity position and is used to monitor how much debt the Company has (excluding the 9% Debentures) after taking into account the Company's liquid assets such as cash and cash equivalents. Such measure should not be considered in isolation of or as a substitute for current liabilities, short-term debt, or long-term debt as a measure of the Company's indebtedness. Average net debt to EBITDA is provided to assist investors and is used by management in order to assess the Company's liquidity position and monitor the Company's debt obligations relative to its annualized EBITDA. Average net debt to EBITDA is calculated by dividing the average net debt as at such date by the EBITDA for the trailing twelve month period ending on such date. Average net debt as at such dates is calculated by taking the sum of the net funded debt (calculated as noted above) as at the end of each month during the twelve months ending on such date and dividing it by 12.

Net funded to debt to capitalization is provided to assist investors and is used by

management to determine the Company's leverage. The measure is applied net of cash and cash equivalents, as the Company has the ability and may elect to use a portion of cash and cash equivalents to retire debt or to incur additional expenditures without increasing debt. EBITDA to fixed charges is provided to assist investors and is used by management in order to determine the ability of the Company to service its committed sustaining capital needs and financial obligations from EBITDA.

Such measures do not have any standardized meanings prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Reconciliations of each of the calculations in respect of the above measures are provided in the table below.

Non-GAAP Terms, Reconciliations and Calculations
For the periods ended October 31
(in thousands – except percentages and ratios)

	2006	2005	Better (Worse)
Gross profit and net revenue from services	$ 474,159	$ 460,581	2.9%
Operating, general and administrative expenses	(333,523)	(331,844)	(0.5%)
EBITDA	$ 140,636	$ 128,737	9.2%
Depreciation and amortization	(58,695)	(60,717)	3.3%
EBIT	$ 81,941	$ 68,020	20.5%
Cash flow provided by operations	$ 84,347	$ 75,302	12.0%
Property, plant and equipment expenditures	(21,094)	(36,428)	42.1%
Proceeds from disposal of property, plant and equipment	4,919	5,507	(10.7%)
Increase in other assets	(12,726)	(7,800)	(63.2%)
Free Cash Flow	$ 55,446	$ 36,581	51.6%
Bank and other loans	$ 133,605	$ 200,815	33.5%
Current portion of long-term debt	21,932	39,303	44.2%
Long-term Debt	334,301	283,310	(18.0%)
Cash and cash equivalents	(46,493)	(36,590)	27.1%
Net Funded Debt	$ 443,345	$ 486,838	8.9%
Average Net Debt (Monthly Net Funded Debt/12)	$ 498,209	$ 441,991	(12.7%)
Average Net Debt to EBITDA	3.54x	3.43x	(0.11%)
Net Funded Debt	$ 443,345	$ 486,838	8.9%
Convertible Debentures	105,000	105,000	—
Shareholders' Equity	504,603	490,083	(3.0%)
Capitalization	$ 1,052,948	$ 1,081,921	2.7%
Net Funded Debt/Capitalization	42.1%	45.0%	2.9%
Property, plant and equipment expenditures	$ 21,094	$ 36,428	42.1%
Scheduled Long-Term Debt Repayments	39,693	39,349	(0.9%)
Interest and securitization expenses	52,813	49,877	(5.9%)
Dividends	6,549	6,546	—
Current income taxes	207	4,703	95.6%
Fixed Charges	$ 120,356	$ 136,903	12.1%
EBITDA to Fixed Charges (EBITDA/Fixed Charges)	1.17	0.94	0.23%

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of United Grain Growers Limited, carrying on business as Agricore United, is responsible for the preparation and presentation of the accompanying financial statements and all of the information contained in this annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which recognize the necessity of relying on management's judgment and best estimates. Financial information contained throughout this annual report is consistent with these financial statements.

To fulfill its responsibility and ensure integrity of financial reporting, management maintains a system of internal accounting controls and an internal audit department to review systems and controls on a regular basis. These controls, which include a comprehensive planning system and timely reporting of periodic financial information, are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the accurate preparation of financial statements.

Final responsibility for the financial statements and their presentation to shareholders rests with the Board of Directors. The Audit Committee of the Board of Directors, consisting of non-management directors, oversees management's preparation of financial statements and financial control of operations. The Audit Committee meets separately with management, the Company's internal auditors and the Company's independent auditors, PricewaterhouseCoopers LLP, to review the financial statements and recommend approval by the Board of Directors.

Brian Hayward
Chief Executive Officer

David Carefoot
Chief Financial Officer

AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNITED GRAIN GROWERS LIMITED, CARRYING ON BUSINESS AS AGRICORE UNITED:

We have audited the consolidated balance sheets of United Grain Growers Limited as at October 31, 2006 and 2005 and the consolidated statements of earnings, consolidated statements of shareholders' equity and consolidated statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants
Winnipeg, Canada
December 14, 2006

CONSOLIDATED BALANCE SHEETS

As at October 31 *(in thousands)*		2006		2005
ASSETS				
Current Assets				
Cash and cash equivalents	$	46,493	$	36,590
Accounts receivable (Note 4)		188,760		232,128
Inventories (Note 5)		407,457		382,009
Prepaid expenses		10,884		17,106
Future income taxes (Note 17)		23,333		19,417
		676,927		687,250
Property, Plant and Equipment (Note 6)		658,674		657,074
Other Assets (Note 7)		68,823		76,789
Goodwill (Note 23)		32,812		21,189
Intangible Assets (Note 23)		19,316		16,590
Future Income Taxes (Note 17)		4,554		18,307
	$	1,461,106	$	1,477,199
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Bank and other loans (Note 8)	$	133,605	$	200,815
Accounts payable and accrued expenses		320,689		313,233
Dividends payable		2,467		2,464
Current portion of long-term debt (Note 9)		21,932		39,303
Future income taxes (Note 17)		8		272
		478,701		556,087
Long-term Debt (Note 9)		334,301		283,310
Convertible Debentures (Note 10)		105,000		105,000
Other Long-term Liabilities (Note 11)		33,639		35,434
Future Income Taxes (Note 17)		4,862		7,285
Shareholders' Equity				
Share capital (Note 12)		460,807		460,323
Contributed surplus (Note 13)		2,037		1,593
Currency translation account (Note 18)		(421)		—
Retained earnings		42,180		28,167
		504,603		490,083
	$	1,461,106	$	1,477,199

Approved by the Board

Wayne W. Drul,
Director

Terry Youzwa,
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended October 31 *(in thousands, except per share amounts)*	2006	2005
Sales and revenue from services (Note 23)	$ 2,998,469	$ 2,775,279
Gross profit and net revenue from services (Note 23)	474,159	460,581
Operating, general and administrative expenses (Note 23)	(333,523)	(331,844)
Earnings before the undernoted (Note 23)	140,636	128,737
Depreciation and amortization (Note 23)	(58,695)	(60,717)
	81,941	68,020
Gain on disposal of assets	2,411	1,653
Loss on settlement of swap	(2,170)	—
Interest and securitization expenses (Note 16)	(52,813)	(49,877)
	29,369	19,796
Provision for income taxes (Note 17)		
Current portion	(207)	(4,703)
Future portion	(8,597)	(2,579)
Net earnings for the year	20,565	12,514
Basic and diluted earnings per share (Note 2)	$ 0.43	$ 0.25

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

As at October 31 *(in thousands)*	Share Capital	Contributed Surplus	Currency Translation Account	Retained Earnings	Total Shareholders' Equity
Balance as at October 31, 2004	$ 459,957	$ 1,044	$ —	$ 21,941	$ 482,942
Issuance of common stock	366				366
Stock-based compensation		549			549
Dividends				(6,288)	(6,288)
Net earnings for the period				12,514	12,514
Balance as at October 31, 2005	460,323	1,593	—	28,167	490,083
Issuance of common stock	484				484
Stock-based compensation		444			444
Foreign exchange losses			(421)		(421)
Dividends				(6,552)	(6,552)
Net earnings for the period				20,565	20,565
Balance as at October 31, 2006	$ 460,807	$ 2,037	$ (421)	$ 42,180	$ 504,603

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended October 31 *(in thousands)*	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings for the period	$ 20,565	$ 12,514
Adjustments for:		
Depreciation and amortization	58,695	60,717
Employee future benefits	(679)	1,845
Investment tax credits	(2,075)	—
Future income tax recovery	8,598	2,579
Equity loss (earnings) from investments, net of distributions	595	(2,166)
Stock-based compensation	444	549
Gain on disposal of assets	(2,411)	(1,653)
Other long-term liabilities	615	917
Cash flow provided by operations	84,347	75,302
Changes in non-cash working capital	61,085	(70,007)
	145,432	5,295
CASH FLOWS FROM INVESTING ACTIVITIES:		
Business acquisitions, net of cash acquired (Note 3)	(56,977)	—
Property, plant and equipment expenditures	(21,094)	(36,428)
Proceeds from disposal of property, plant and equipment	4,919	5,507
Increase in other assets	(12,726)	(7,800)
	(85,878)	(38,721)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in bank and other loans	(67,223)	68,694
Proceeds from long-term debt	155,435	708
Long-term debt repayments	(122,693)	(39,349)
Deferred financing expenditures	(6,091)	(2,042)
Decrease in other long-term liabilities	(3,003)	(2,029)
Share capital issued	484	366
Dividends	(6,549)	(6,546)
	(49,640)	19,802
Net increase (decrease) in cash and cash equivalents	9,914	(13,624)
Cash and cash equivalents, beginning of year	36,590	50,214
Cash impact on currency translation account	(11)	—
Cash and cash equivalents, end of year	$ 46,493	$ 36,590
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments of interest	$ (51,312)	$ (50,172)
Cash payments of taxes	$ (5,681)	$ (3,730)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Agricore United ("the Company") are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless specifically stated to the contrary.

USE OF ESTIMATES

The timely preparation of financial statements in accordance with GAAP necessitates the use of management estimates, assumptions and judgment that affect reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies. Actual results may differ as confirming events occur.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its subsidiaries and its proportionate share of the accounts of its joint ventures. The Company's interest in its joint ventures is recognized using the proportionate consolidation method at rates that approximate either the Company's ownership interest in, or the volume of business with, the respective joint venture.

Subsidiaries	Ownership Interest
Pacific Elevators Limited	100%
Western Pool Terminals Ltd.	100%
Agricore United Holdings Inc. ("AUHI") and its wholly-owned subsidiaries*	100%
XCAN Far East Ltd.	100%
XCAN Asia Ltd.**	100%

Joint Ventures	Ownership Interest
Alberta Industrial Mustard Company Limited	50%
Cascadia Terminal Partnership	50%
CMI Terminal Joint Venture	50%
Gardiner Dam Terminal Joint Venture	50%
Western Co-operative Fertilizers Limited ("Westco")	57%

* *Effective October 31, 2006, the Company transferred 100% of its shares in Demeter (1993) Inc. to Agricore United Holdings Inc. in exchange for additional shares in Agricore United Holdings Inc.*
** *This inactive subsidiary is in the process of being liquidated and is expected to be wound up during 2007*

REVENUE RECOGNITION

Revenue from the sale of commodities is recognized upon shipment to the customer from country elevator or port terminal. Revenue from the sale of crop input products and livestock feed is recognized upon shipment to the customer. Service-related revenue, which includes tariff-based revenue for handling Canadian Wheat Board ("CWB") grain, is recognized upon performance of the service.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments with less than three months to maturity as well as funds on deposit within jointly held enterprises which may not be immediately available to the Company.

ACCOUNTS RECEIVABLE

Accounts receivable include advances to producers arising from the purchase of grain for the account of the CWB, in accordance with the terms of a handling agreement between the parties, which are valued on the basis of CWB initial prices less handling costs.

INVENTORIES

Grain inventories include both hedged and non-hedged commodities. Hedgeable grain inventories are valued based on the closing market quotations less execution costs. Non-hedgeable grains are valued at the lower of cost or market. Crop inputs, feed and livestock, and other merchandise inventories are valued at the lower of cost or net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, which includes interest incurred on major construction projects, reduced by investment tax credits claimed and any government assistance received and receivable for which all conditions were met. The Company uses a combination of straight-line and diminishing balance methods of providing depreciation over the estimated useful lives of the assets.

Building	4% to 6% diminishing balance; 10 to 50 years straight-line
Machinery & equipment	6% to 30% diminishing balance; 5 to 15 years straight-line
Site and leasehold improvements	6% to 10% diminishing balance; 5 to 50 years straight-line
Computer hardware & software	3 to 5 years straight-line
Furniture & fixtures and other	20% diminishing balance; 5 years straight-line

OTHER ASSETS

Long-term receivables – Long-term receivables include customer balances receivable under credit programs with payment terms extending beyond 12 months.

Trade investments – Trade investments primarily include the Company's non-controlling interests in The Puratone Corporation, Canadian Pool Agencies Limited, and Pool Insurance Company, which are accounted for using the equity method. All other trade investments are recorded at cost.

Prince Rupert Grain Terminal ("PRG") – Through a consortium, the Company has a joint and several interest in PRG. PRG has $300 million in loans, due to a third party and maturing between 2015 and 2035, that are secured by the terminal without recourse to the consortium members. Since the value of the debt exceeds the depreciated value of the terminal, the Company's non-controlling interest in PRG is recorded at nominal value.

Deferred charges – System development costs related to developing or upgrading identifiable software products are deferred and amortized on a straight-line basis over a three-year period. Varietal development costs incurred under agreements for the development of proprietary seed

varieties are deferred and amortized on a straight-line basis over a four-year period. Product development costs are deferred and amortized on a straight-line basis over a four-year period. Pension costs, representing the aggregate surplus of the Company's pension plans plus unamortized transitional amounts and actuarial net losses, are accounted for as described under Employee Future Benefits. Financing costs related to securing and maintaining credit facilities are deferred and amortized over the term of the facility. Risk and insurance costs related to establishing the Company's insurance program are deferred and amortized over the life of the contract.

GOODWILL

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. The Company assesses annually whether there has been a permanent impairment in the carrying value of goodwill based on the fair value of the related business operations. Should the carrying amount of the goodwill exceed its fair value, an impairment loss would be recognized at that time.

INTANGIBLE ASSETS

Intangible assets consist primarily of supply and merchandising contracts with indefinite useful lives and marketing related intangible assets with defined lives. Definite life intangibles are amortized over their estimated useful lives. Indefinite life intangibles are not amortized but are tested for impairment at least annually. Should the carrying amount of the intangible asset exceed its fair value, an impairment loss would be recognized at that time.

INCOME TAXES

Income taxes are provided for using the asset and liability method of accounting. Under this method, future income taxes are recognized for temporary differences between the accounting and tax bases of the Company's assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the year the change occurs. A valuation allowance would be provided to the extent that it is more likely than not that future income tax assets will not be realized.

STOCK-BASED COMPENSATION

Executive Stock Option Plan – The fair value of the award at the time of granting is recognized as compensation expense over the vesting period with an offsetting amount recorded to contributed surplus.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Company to reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and commodity prices. In the normal course, the Company does not hold or issue derivative financial instruments for derivative trading purposes. Any derivative that does not qualify for hedge accounting is reported in earnings on a mark-to-market basis.

Swap contracts – The Company has both an interest rate swap and a cross currency interest rate swap that are accounted for in accordance with hedge accounting and as such, the swaps are documented and subjected to an effectiveness test on a quarterly basis for reasonable assurance that they are and will continue to be effective. Differentials to be received or paid under these contracts are recognized in income over the life of the contracts as adjustments to the relevant expense. Translation gains and losses on the principal swapped are offset by corresponding translation gains and losses of the related debt in earnings. Gains and losses on contract termination are deferred and amortized to income over the life of the original contract or the related debt, whichever ends earlier.

FOREIGN CURRENCY TRANSLATION

The Company's wholly-owned subsidiaries in the United States of America ("U.S.") represent self-sustaining operations, and the respective accounts have been translated into Canadian dollars using the current rate method. Monetary and non-monetary assets and liabilities are translated at the period-end exchange rate while revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are deferred and included in a currency translation account within shareholders' equity.

The Company's other foreign wholly-owned subsidiaries represent integrated operations, and the respective accounts have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at the year-end exchange rate while non-monetary assets, liabilities, revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are reflected in earnings during the period in which they occur.

Other foreign currency denominated balances of the Company have been translated to Canadian dollars using the temporal method.

EMPLOYEE FUTURE BENEFITS

The Company maintains both defined benefit and defined contribution pension plans for employees and is also a member of a multi-employer defined benefit pension plan. Additionally, the Company provides other post-employment benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement. The cost of all future benefits is accrued in the year in which the employee services are rendered, based on actuarial valuations, with the exception of a foreign wholly-owned subsidiary which determines its obligation based on the amount that would be required to be paid under the plan if all eligible employees and directors voluntarily terminated their employment as of the balance sheet date.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits, uses the projected benefit method pro-rated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are reflected at fair value.

Any excess net actuarial gains or losses over 10% of the greater of the accrued benefit obligation and the fair value of plan assets are being amortized over the average remaining service period ("ARSP") of active employees expected to receive benefits under the benefit plan.

The multi-employer defined benefit pension plan is accounted for as a defined contribution plan.

2. EARNINGS PER SHARE

For the years ended October 31
(in thousands, except per share amounts)

	2006			2005		
	Amount	Shares	Per share	Amount	Shares	Per share
Net earnings	$ 20,565			$ 12,514		
Less: Preferred share dividend	(1,104)			(1,104)		
Basic & diluted earnings per share	$ 19,461	45,399	$ 0.43	$ 11,410	45,343	$ 0.25

Basic earnings per share is derived by deducting the pro rata share of annual dividends on preferred shares from earnings and dividing this total by the weighted average number of Limited Voting Common Shares outstanding for the year. The effect of potentially dilutive securities (preferred shares, "in-the-money" stock options and convertible unsecured subordinated debentures) were excluded as the result would be anti-dilutive. Executive stock options with exercise prices in excess of the average trading value of the shares in the respective years have been excluded from the calculation of diluted earnings per share.

3. BUSINESS ACQUISITIONS

Effective December 16, 2005, the Company purchased the operating assets and working capital of Mattinson Farm Services Ltd. of Viking, Alberta. Effective February 22, 2006, the Company purchased the remaining 50% interest in its Lloydminster Joint Venture located in Lloydminster, Alberta.

On August 14, 2006, the Company, through a wholly-owned subsidiary, completed the acquisition of the assets and working capital of Hi-Pro Feeds, a feed manufacturing business headquartered in Friona, Texas. As the asset purchase has recently been completed, the preliminary purchase price allocation between goodwill and intangible assets will be finalized in a subsequent period.

These acquisitions were accounted for using the purchase method and the results of operations of these businesses are included in the Company's consolidated financial statements from the respective dates of acquisition. The transactions are summarized as follows:

For the year ended October 31, 2006

(in thousands)	Hi-Pro Feeds	Other	Total
Net assets acquired:			
Current assets	$ 14,846	$ 1,168	$ 16,014
Property, plant & equipment	29,289	4,458	33,747
Goodwill	11,666	—	11,666
Intangible assets	2,816	—	2,816
Current liabilities	(5,640)	(462)	(6,102)
Total purchase price	52,977	5,164	58,141
Less cash acquired	—	(1,164)	(1,164)
Net cash consideration	$ 52,977	$ 4,000	$ 56,977

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of a $20 million Finite Insurance Layer Deposit as well as trade balances receivable. The following table presents the percentage of total trade balances receivable by business segment:

As at October 31	2006	2005
Grain Handling	**43%**	53%
Crop Production Services	**21%**	26%
Livestock Services	**26%**	12%
Other	**10%**	9%

SECURITIZATION AGREEMENT

Under a securitization agreement with an independent trust, the Company can sell on an unlimited basis an undivided co-ownership interest in its right to receive reimbursements of amounts advanced to producers arising from the delivery of grains that are held in accordance with the grain handling contract between the Company and the CWB. The Company receives proceeds equal to the fair value of the assets sold and retains rights to future cash flows arising from future performance of grain handling on behalf of the CWB after the investors in the trust have received the return for which they contracted. The trust has limited recourse to the Company's future grain handling receipts and no recourse to the Company's other assets. Either party may cancel the securitization agreement on 60-days notice. The Company is responsible for fulfilling its obligations under the grain handling agreement entered into with the CWB and retains servicing responsibilities in respect of CWB grain.

Under the terms of the grain handling contract, the Company is guaranteed a reimbursement of amounts advanced to the producers on behalf of the CWB upon deliveries of CWB grain. The Government of Canada secures this guarantee and therefore no credit losses are expected with respect to these assets. In addition, since the weighted-average life of the receivable is only a matter of days, the discount factor is not expected to be a significant element in the computation of fair value. Consequently, the Company has determined the fair value measurement of this asset to be the same as its carrying value and has concluded that any sensitivity analysis regarding key assumptions used in such valuation would not result in any significant change in valuation.

At October 31, 2006, amounts advanced to producers on behalf of the CWB are reported net of securitized amounts of $35.3 million (2005 – $36.2 million). The following table summarizes certain cash flows related to the transfer of receivables during the year:

As at October 31 *(in thousands)*	2006	2005
Proceeds from new securitizations	$ 38,000	$ 30,000
Proceeds from collections reinvested (not reinvested)	(2,720)	6,161
Securitized amount	$ 35,280	$ 36,161

The net cost of these transactions is included in interest and securitization expenses in the Consolidated Statements of Earnings.

AGRICORE UNITED FINANCIAL

The Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for a portion of future losses (Note 19).

UNIFEED FINANCIAL

The Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide loans to customers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for a portion of future losses (Note 19).

5. INVENTORIES

As at October 31 *(in thousands)*	2006	2005
Grain	$ 194,452	$ 133,133
Crop inputs	191,398	234,123
Feed and livestock	18.626	11,718
Other merchandise	2,981	3,035
	$ 407,457	$ 382,009

6. PROPERTY, PLANT AND EQUIPMENT

As at October 31 *(in thousands)*	2006		2005	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Building	$ 602,694	$ 250,643	$ 595,937	$ 243,038
Machinery & equipment	661,146	432,355	643,352	420,202
Site and leasehold improvements	68,905	27,021	63,990	24,776
Computer hardware & software	61,491	55,671	56,837	53,499
Furniture & fixtures and other	15,651	14,655	15,612	14,081
Land	23,294	—	22,950	—
Construction in progress	5,838	—	13,992	—
	$ 1,439,019	$ 780,345	$ 1,412,670	$ 755,596
Net book value	$ 658,674		$ 657,074	

The Company capitalized $297,000 (2005 – $497,000) in interest related to major capital expenditures.

During the year, government assistance for terminal security upgrades of $326,000 (2005 – $295,000) was recorded as a reduction to property, plant and equipment.

7. OTHER ASSETS

As at October 31
(in thousands)

	2006	2005
Long-term receivable	$ 12,013	$ 10,813
Finite Insurance Layer deposit	—	13,333
Trade investments	21,028	22,162
Deferred charges:		
System development costs	4,038	3,640
Varietal development costs	2,199	2,800
Product development costs	1,257	—
Pension costs (Note 14)	14,407	13,135
Financing costs	8,950	6,646
Risk and insurance costs	1,183	1,029
Other long-term assets held by subsidiary	3,748	3,231
	$ 68,823	$ 76,789

8. BANK AND OTHER LOANS

As at October 31
(in thousands)

	2006	2005
Bank loans	$ 104,000	$ 154,000
Subsidiary bank loans	7,963	24,185
Member and employee loans	21,642	22,630
	$ 133,605	$ 200,815

The Company's revolving facility with a syndicate of banks, expiring November 30, 2009, has seasonal limits of $525 million between January 1 and May 31, $300 million between June 1 and August 31, and $425 million between September 1 and December 31, and may be drawn to the lesser of the facility limit or a margin based on qualifying receivables and inventories. This facility is secured by a first floating charge over receivables and inventory and a second fixed charge over all other assets of the Company and its material wholly-owned subsidiaries. The Company may draw its revolving credit facility using prime rate advances, at an interest rate of between prime and prime plus 0.9% (subject to the Company's fixed charge ratio), or by using alternate advance instruments at corresponding rates.

SUBSIDIARY BANK LOANS

The Company's wholly-owned Japanese subsidiary, XCAN Far East Ltd. ("XCAN") has a U.S. $16.2 million (2005 – U.S. $10 million) revolving credit facility at 1.00% per annum (2005 – 1.00%) over LIBOR (London Interbank Money Market Offer Rate) maturing March 31, 2007, reducing to U.S. $14 million on November 15, 2006 and to U.S. $10 million on November 30, 2006, secured by a guarantee from the Company (Note 19). In addition, this subsidiary has a Japanese Yen ("JPY") 2 billion credit facility, secured by a guarantee from the Company (Note 19), and a JPY 100 million credit facility, both at local short-term market rates with no fixed expiry date.

AUHI's wholly-owned U.S. subsidiary, Demeter (1993) Inc. ("Demeter") has a U.S. $8.5 million revolving credit facility renewable annually at an interest rate based on U.S. prime until April 30, 2011, secured by a guarantee from the Company (Note 19).

Loans from members and employees are unsecured, repayable on demand and bear interest at rates varying from 3.5% to 5.5% (2005 – 3.25% to 5.5%).

9. LONG-TERM DEBT

As at October 31
(in thousands)

	2006	2005
Term B Loan	$ 153,099	$ —
Syndicated Term Loan	—	106,000
Term Notes	94,013	99,463
Series A Notes	35,549	42,659
Series B Notes	21,237	21,237
Cascadia Series B Notes	42,500	45,000
Other long-term debt	9,835	8,254
	356,233	322,613
Less: current portion	(21,932)	(39,303)
	$ 334,301	$ 283,310

The fair value of long-term debt approximates $374 million at October 31, 2006. The Term B Loan, Term Notes, Series A Notes and Series B Notes are secured, *pari passu*, by specific charges over material fixed assets and a floating charge over all other assets of the Company and its material wholly-owned subsidiaries.

TERM B LOAN

On September 6, 2006, the Company entered into a U.S. $138 million term facility with a consortium of lenders at a floating interest rate of U.S. LIBOR plus 1.75%, maturing September 6, 2013. The loan is repayable in quarterly instalments of U.S. $345,000 to maturity (1% per annum) or in full at any time before maturity without premium.

An amount of U.S. $50 million, repayable in quarterly instalments of U.S. $125,000, was advanced to the Company's wholly-owned subsidiary AUHI to fund the asset purchase of Hi-Pro Feeds (Note 3) and for general corporate purposes. An interest rate swap of

U.S. $50 million at a fixed rate of 7.17% with a Canadian Schedule I chartered bank is used to hedge this portion of the floating interest rate component of the Term B Loan. The fair value of the interest rate swap is U.S. $50.8 million at October 31, 2006.

The remaining U.S. $88 million advanced to the Company to repay the Syndicated Term Loan and for general corporate purposes was exchanged through a cross currency interest rate swap with a Canadian Schedule I chartered bank for $97.3 million, such that the Company will pay quarterly instalments in Canadian dollars of $243,320 with a floating interest rate of Canadian Banker's Acceptances plus 2.085% through the life of the loan. The fair value of the cross currency interest rate swap is $97.3 million at October 31, 2006.

On September 6, 2006, concurrent with the repayment of the Syndicated Term Loan, the Company terminated the interest rate swap contract used to fix the floating rate component of the loan, resulting in a loss on settlement of $2.2 million.

TERM NOTES

A term facility with a U.S. based life insurance company at a fixed rate of 9.67% (2005 – 9.67%) is repayable in monthly instalments of $454,000 to January 2009 and $973,000 per month from February 2009 to maturity in January 2016.

SERIES A AND B NOTES

Series A Notes with a syndicate of Canadian life insurance companies at a fixed rate of 10.25% (2005 – 10.25%) are repayable in equal annual instalments of $7.1 million in December to maturity in 2010. The Series B Notes with a syndicate of Canadian life insurance companies at a fixed rate of 10.8% (2005 – 10.8%) are repayable in equal annual instalments of $2.1 million in December from 2011 to 2020.

CASCADIA SERIES B NOTES

The Notes with a syndicate of Canadian life insurance companies are collateralized by a first fixed and specific mortgage on the Cascadia Terminal as well as a pledge and charge on all of Cascadia Terminal's leasehold land and interests. The Notes carry a fixed rate of 6.98% (2005 – 6.98%), repayable in equal annual instalments of $2.5 million in August to maturity in 2023.

OTHER LONG-TERM DEBT

AUHI's wholly-owned U.S. subsidiary, Demeter has a U.S. $2.5 million term facility at a floating rate of U.S. prime plus 0.5% per annum repayable in monthly instalments of U.S. $30,000, with the balance due on maturity at April 30, 2011, secured by a guarantee from the Company (Note 19).

Other long-term debt held by subsidiaries is repayable within 8 years.

The following summarizes the aggregate amount of scheduled repayments of long-term debt in each of the next five years:

For the years ending October 31
(in thousands)

2007	$	21,932
2008		17,342
2009		22,014
2010		23,462
2011		24,463

10. CONVERTIBLE DEBENTURES

The Company issued $105 million of 9% convertible unsecured subordinated debentures (the "Debentures") on November 27, 2002, maturing November 30, 2007, with interest payable semi-annually on May 31 and November 30. The fair value of the Debentures approximates $125 million at October 31, 2006. The Debentures are convertible, at the option of the holder, at any time prior to the maturity date at a conversion price of $7.50 per share or 133.3333 Limited Voting Common Shares per $1,000 principal amount of Debentures. The Debentures may be redeemed by the Company at any time after November 30, 2006 at a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Company may, at its option and subject to regulatory approval, elect to satisfy its obligation to repay the principal amount of the Debentures which are to be redeemed or which have matured by issuing to the holders of the Debentures, for each $1,000 principal amount of Debentures, that number of freely tradable Limited Voting Common Shares obtained by dividing such principal amount by 95% of the Current Market Price. Current Market Price means an amount equal to the volume weighted average trading price of the Limited Voting Common Shares on the Toronto Stock Exchange ("TSX") for 20 consecutive trading days ending on the fifth trading day preceding the date of determination. As described in Note 25, on November 30, 2006, the Company provided notice of its intention to redeem the convertible debentures on January 10, 2007, by issuing Limited Voting Common Shares.

11. OTHER LONG-TERM LIABILITIES

As at October 31 *(in thousands)*		2006		2005
Post-employment benefits other than pension (Note 14)	$	13,121	$	12,528
Asset retirement obligation		15,107		17,386
Other liabilities		5,411		5,520
	$	33,639	$	35,434

ASSET RETIREMENT OBLIGATION

Westco, a joint venture of the Company, discontinued manufacturing fertilizer at its two processing plants in 1987. Subsequent to the closures, Westco retained an independent consultant who estimated the site reclamation and decommissioning costs to be between $44 million and $61.5 million. In 2000, Westco developed conceptual reclamation plans, designed to meet current regulatory requirements, based on site assessments, environmental risk data and current available technology. The Company provides no guarantee for the obligations of Westco. As at October 31, 2006, Westco has expended $27.2 million (2005 – $22.1 million) in reclamation costs.

Westco is accounting for the obligation as an asset retirement obligation ("ARO"), which represents the discounted future value of the estimated cash flows required to settle the obligation, and as such, the provision represents the Company's pro rata share of Westco's ARO as at October 31, 2006. As of October 31, 2006, the Company's proportionate share of the estimated undiscounted cash flows required to settle the obligation is $16.0 million (2005 – $18.3 million), which is expected to be settled between 2006 and 2015. The credit-adjusted risk-free rates at which the estimated cash flows have been discounted range from 4% to 5.15%.

A reconciliation of the opening and closing carrying amount of the ARO is as follows:

For the year ended October 31, 2006
(in thousands)

Opening balance	$ 17,386
Less: Liabilities settled during period	(2,894)
Add: Accretion expense, included in operating, general and administrative expenses	615
Closing balance	$ 15,107

OTHER LIABILITIES

Other liabilities include a provision of $5 million (2005 - $5 million) accrued by the Company as part of its revaluation of the liabilities of Agricore Ltd. on acquisition.

12. SHARE CAPITAL

The Company is governed by the United Grain Growers Act, a special act of the Parliament of Canada, under which it has both members and shareholders. Members are customers of the Company and are entitled to elect 12 directors, who must be members of the Company. The Company's Limited Voting Common Shareholders are entitled to elect three directors, who cannot be members. Members who are not shareholders are not entitled to participate in any profit or distribution of the Company.

The authorized, issued and outstanding shares of the Company are:

As at October 31
(in thousands, except shares)

	2006		2005	
	Shares	Value	Shares	Value
Authorized				
Preferred shares, issuable in series	unlimited		unlimited	
Limited Voting Common Shares	unlimited		unlimited	
Issued and outstanding				
Series A Convertible Preferred shares, non-voting, $1 dividend per share, cumulative, convertible (1:1 basis), callable at $24				
Opening balance	1,104,369	$ 22,087	1,104,552	$ 22,091
Converted to Limited Voting Common Shares	—	—	(183)	(4)
Closing balance	1,104,369	$ 22,087	1,104,369	$ 22,087
Limited Voting Common Shares				
Opening balance	45,361,137	$ 438,236	45,315,467	$ 437,866
Issued				
Upon conversion of preferred shares	—	—	183	4
Directors' share compensation plan	26,902	218	22,694	188
Dividend Reinvestment Plan	24,963	188	22,793	178
Private placement	11,991	78	—	—
Closing balance	45,424,993	$ 438,720	45,361,137	$ 438,236
		$ 460,807		$ 460,323

Private Placement of Limited Voting Common Shares – On February 2, 2006, the Company completed a private placement of 11,991 Limited Voting Common Shares at a price of $6.49 per share to ADM Agri-Industries Company, a wholly-owned subsidiary of Archer Midlands Company, pursuant to a pre-emptive rights agreement.

The following table summarizes the issued and outstanding Limited Voting Common Shares, along with securities convertible into Limited Voting Common Shares:

As at October 31	2006	2005
Issued and outstanding Limited Voting Common Shares	**45,424,993**	45,361,137
Securities covertible into common shares:		
9% convertible unsecured subordinated debentures, maturing November 30, 2007, convertible at 133.3333 shares per $1,000 principal amount	**14,000,000**	14,000,000
Series A Convertible Preferred shares, non-voting, $1 dividend per share, cumulative, convertible (1:1 basis), callable at $24	**1,104,369**	1,104,369
Stock options	**1,047,140**	892,586
	61,576,502	61,358,092

The Company has the following share-related plans:

EMPLOYEE SHARE PURCHASE PLAN

Under the Company's Employee Share Purchase Plan ("ESPP"), qualifying employees may contribute from 1% to 7% of their basic earnings to the ESPP, with the Company contributing an amount equal to 50% of all employee contributions. Contributions are used to acquire shares, either from the open market or from the Company, based on share trading prices on the TSX.

MEMBER SHARE PURCHASE PLAN

Under the Company's Member Share Purchase Plan ("MSPP"), eligible members may contribute to the MSPP by way of a cash payment or cash ticket deduction payment. Contributions and dividends paid are used to acquire shares, either from the open market or from the Company, based on share trading prices on the TSX.

DIRECTORS' SHARE COMPENSATION PLAN

Under the Directors' Share Compensation Plan ("DSCP"), the Company pays its directors a minimum of 25% and a maximum of 50% of their annual compensation through the issuance from treasury of Limited Voting Common Shares, based on share trading prices on the TSX.

Effective November 1, 2006, the DSCP was amended such that a director who holds the prescribed minimum 10,000 Limited Voting Common Shares, may opt out of the DSCP or may elect to continue to participate in the plan at a percentage of their annual compensation ranging from 5% to 50%.

DIVIDEND REINVESTMENT PLAN

Under the Company's optional Dividend Reinvestment Plan ("DRIP"), participating shareholders are allowed to increase their investment in the Company by choosing to automatically reinvest cash dividends received on Limited Voting Common Shares and Series A Convertible Preferred shares for Limited Voting Common Shares issued from treasury. Under the plan, cash dividends received on Limited Voting Common Shares will be reinvested at 95% of the weighted average of the TSX market price for the five trading days immediately preceding the applicable dividend payment date. Cash dividends received on Series A Convertible Preferred shares will be reinvested at a price equivalent to the weighted average of the TSX market price for Limited Voting Common Shares for the five trading days immediately preceding the applicable dividend payment date.

13. STOCK-BASED COMPENSATION

EXECUTIVE STOCK OPTION PLAN

Under the terms of the Executive Stock Option Plan ("ESOP"), eligible executives of the Company are entitled to receive options to acquire Limited Voting Common Shares. The following details stock options that were outstanding and exercisable at October 31, 2006:

				Number of Shares	
Date granted	Exercise Price	Expiry Date	Weighted average remaining contractual life in years	Outstanding	Exercisable
December 13, 1996	$ 10.20	2006	0.12	82,120	82,120
September 17, 1998	$ 11.50	2008	1.88	111,960	111,960
September 20, 2001	$ 10.30	2011	4.89	19,000	19,000
March 21, 2002	$ 9.70	2012	5.39	335,581	335,581
March 18, 2004	$ 9.70	2014	7.38	3,479	2,087
March 18, 2004	$ 9.30	2014	7.38	165,000	99,000
November 1, 2004	$ 7.64	2014	8.01	165,000	66,000
November 1, 2005	$ 7.10	2015	9.01	165,000	33,000
			5.90	1,047,140	748,748

At October 31, 2006, in addition to the stock options outstanding, the Company has reserved a further 188,493 Limited Voting Common Shares (2005 – 343,047) for granting under the ESOP and 67,582 (2005 – 94,774) for granting under the DSCP.

The Company recorded compensation expense of $444,000 (2005 – $549,000) and a related increase in Contributed Surplus regarding stock options issued under the terms of the ESOP. The exercise price of the option equals the market price of the Company's stock on the date of the grant. The fair value of each option granted since January 1, 2002 is estimated based on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used to value options granted in the current year: dividend yield of 1.50% (2005 – 1.57%), expected volatility of 37.30% (2005 – 39.82%), risk-free interest rate of 4.17% (2005 – 5.03%) and expected life of 10 years (2005 – 10 years). The stock options vest at a rate of 20% per year commencing on the grant date. The weighted average fair value of options granted during the year was $3.12 (2005 – $3.58).

The following summarizes the status of the ESOP and changes during the year:

For the years ended October 31	2006		2005	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding at beginning of year	**892,586**	**$ 9.53**	732,045	$ 9.96
Granted	**165,000**	**7.10**	165,000	7.64
Forfeited	**(10,446)**	**9.70**	(4,459)	9.70
Outstanding at end of year	**1,047,140**	**$ 9.15**	892,586	$ 9.53
Exercisable at end of year	**748,748**	**$ 9.69**	590,271	$ 9.97

RESTRICTED STOCK UNIT PLAN

Under the Company's Restricted Stock Units ("RSU") plan, units are granted to certain employees at the beginning of each fiscal year, based on the employee's base salary and the market price of the Company's shares on the grant date. The opportunity to receive compensation under the plan is contingent upon both time vesting and performance vesting criteria. The time component consists of 50% of the RSUs and vests with the employee at the end of the three-year period from the grant date. The performance component makes up the remaining RSUs with an equal amount vesting at the end of each of three consecutive one-year periods from the grant date, provided certain performance criteria have been met. Compensation amounts, based on the market price of the Company's shares on the vesting date, will be paid to the employee in cash. To the extent the employee holds fewer shares than the target set by the Company, the employee will be required to use the cash to purchase shares from the open market. The total number of RSUs outstanding on October 31, 2006 was 360,912 (2005 – nil) and the Company has accrued compensation costs of $702,425 (2005 – nil) during the year related to these units.

14. EMPLOYEE FUTURE BENEFITS

The Company maintains several defined benefit and one defined contribution pension plan which cover substantially all of its employees and is also a sponsor of a multi-employer defined benefit plan. Its defined benefit pension plans are based on years of service and final average salary. For one of the Company's defined benefit plans, pension benefits may increase annually based on the performance of the fund.

The Company applied to the Office of the Superintendent of Financial Institutions ("OSFI") to harmonize (effective July 1, 2003) the employee pension arrangements of certain pension plans and to merge (effective September 1, 2003) two defined benefit plans that currently have surpluses of $18.8 million and two defined benefit plans that currently have deficits of $8.4 million, which would result in the Company having two defined benefit plans, one with a surplus and one with a modest deficit. Effective August 21, 2006, OSFI approved one of the Company's amalgamation applications, such that the new combined plan will be in a net surplus position. The amalgamated plan's assumptions will be harmonized effective November 1, 2006 with no material impact anticipated, and assets will be transferred effective January 1, 2007.

If OSFI were to decline the amalgamation of the second application for the other two defined benefit plans, the Company would be required to fund a defined benefit plan deficit over a period of 5 to 15 years.

The Company also provides other post-employment benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement.

In 2006, the Company contributed total cash payments of $7.1 million (2005 – $4.8 million) for employee future benefits, consisting

of cash contributed to its pension plans, cash payments directly to beneficiaries for other benefits, and cash contributed to its defined contribution plans.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at October 31 of each year. The dates of the actuarial valuations of the pension plans vary by plan with the most recent valuation completed on December 31, 2005. The next valuation is required by December 31, 2008.

The Company is amortizing the transitional asset that resulted from the adoption of the accounting standard on employee future benefits that arose in fiscal 2001 over 13 years which was the ARSP of employees in 2001 expected to receive benefits under the plan. The ARSP for 2006 for the various defined benefit plans ranges from 10 to 14 years (2005 – 12 to 14 years).

The following summarizes the Company's net benefit plan income (expense):

For the years ended October 31
(in thousands)

	2006			2005		
	Incurred in year	Adjustments*	Recognized in year	Incurred in year	Adjustments*	Recognized in year
Defined Benefit Pension Plans:						
Current service cost, net of employee contributions	$ (753)	$ —	$ (753)	$ (623)	$ —	$ (623)
Interest cost	(6,950)	—	(6,950)	(7,457)	—	(7,457)
Return on plan assets	13,277	(4,672)	8,605	16,506	(8,098)	8,408
Actuarial gains (losses)	92	(936)	(844)	(7,962)	6,987	(975)
Amortization of the transitional obligation	—	822	822	—	822	822
Settlement loss	—	(200)	(200)	—	—	—
	5,666	(4,986)	680	464	(289)	175
Other Defined Future Benefit Plans:						
Current service cost, net of employee contributions	(230)	—	(230)	(251)	—	(251)
Interest cost	(493)	—	(493)	(801)	—	(801)
Actuarial gains (losses)	4,177	(4,552)	(375)	—	(26)	(26)
	3,454	(4,552)	(1,098)	(1,052)	(26)	(1,078)
Total defined benefit plans	9,120	(9,538)	(418)	(588)	(315)	(903)
Defined contribution plans	(5,051)	—	(5,051)	(5,041)	—	(5,041)
Multi-employer defined benefit plan	(919)	—	(919)	(741)	—	(741)
Net benefit plan income (expense)	$ 3,150	$ (9,538)	$ (6,388)	$ (6,370)	$ (315)	$ (6,685)

Accounting adjustments to allocate costs to different years to recognize the long-term nature of employee future benefits.

The following summarizes information about the Company's defined benefit plans in aggregate:

As at October 31 (in thousands)	Pension Benefits 2006	2005	Other Future Benefits 2006	2005
Plan Assets				
Fair value, beginning of year	$ 135,628	$ 130,957	$ —	$ —
Actual return on plan assets	13,277	16,506	—	—
Employer contributions	592	1,855	505	346
Employee contributions	126	124	—	—
Surplus transferred to defined contribution plan	—	(3,143)	—	—
Benefits paid	(11,331)	(10,671)	(505)	(346)
Fair value, end of year	$ 138,292	$ 135,628	$ —	$ —
Accrued Benefit Obligation				
Balance, beginning of year	$ 133,075	$ 127,580	$ 13,248	$ 12,542
Current service cost	879	747	230	251
Interest cost	6,950	7,457	493	801
Benefits paid	(11,331)	(10,671)	(505)	(346)
Actuarial losses (gains)	(92)	7,962	(4,177)	—
Balance, end of year	$ 129,481	$ 133,075	$ 9,289	$ 13,248
Funded Status				
Plan surplus (deficit)	$ 8,811	$ 2,553	$ (9,289)	$ (13,248)
Unamortized transitional amount	(5,602)	(6,424)	—	—
Unamortized net losses (gains)	11,198	17,006	(3,832)	720
Deferred benefit asset (liability)	$ 14,407	$ 13,135	$ (13,121)	$ (12,528)

The percentage of plan assets by major category is:

As at October 31	2006	2005
Equities	22%	58%
Debt securities	27%	38%
Balanced funds	47%	0%
Other	4%	4%
	100%	100%

The significant weighted average assumptions used in measuring the Company's pension and other obligations are:

As at October 31	Pension Benefits 2006	2005	Other Future Benefits 2006	2005
Accrued benefit obligation:				
Discount rate	5.50%	5.50%	5.20%	6.25%
Rate of compensation increase	3.20%	4.00%	n/a	n/a
Benefit cost:				
Discount rate	5.50%	6.00%	n/a	n/a
Expected long-term rate of return on plan assets	6.70%	6.70%	n/a	n/a
Rate of compensation increase	3.20%	4.00%	n/a	n/a
Initial health care cost trend rates*	n/a	n/a	9% to 14%	6.50%

**The health care cost trend rate varies depending on the employee group being valued and will decline by 1.00% per year to an ultimate increase rate of 3.0%.*

A one percentage-point change in assumed health care cost trend rates would have the following effects for 2006:

	Increase	Decrease
Interest cost	$ 7,000	$ (4,000)
Accrued benefit obligation	$ 319,000	$ (286,000)

15. RELATED PARTY TRANSACTIONS

The Company has transactions with related parties in the normal course of business at commercial rates and terms. Related parties may include investees Prince Rupert Grain, The Puratone Corporation, Canadian Pool Agencies Limited, Interprovincial Cooperative Limited, as well as the Company's principal shareholder Archer Daniels Midland Company and its respective subsidiaries and associated companies.

Total sales to related parties were $89.9 million (2005 – $95.1 million) and total purchases from related parties were $54.8 million (2005 – $42.2 million). As at October 31, 2006, accounts receivable from and accounts payable to related parties totaled $10.3 million (2005 – $6.6 million) and $343,000 (2005 – $117,000), respectively.

16. INTEREST AND SECURITIZATION EXPENSES

For the years ended October 31 *(in thousands)*	2006	2005
Interest on:		
Convertible debentures	$ 9,450	$ 9,450
Long-term debt	28,649	31,381
Short-term debt	15,330	9,249
Securitization expenses	2,092	1,716
CWB carrying charge recovery	(2,708)	(1,919)
	$ 52,813	$ 49,877

17. INCOME TAXES

The Company's income tax expense consists of:

For the years ended October 31 *(in thousands)*	2006	2005
Current income tax expense	$ (207)	$ (4,703)
Future income tax expense	(8,597)	(2,579)
Income tax expense	$ (8,804)	$ (7,282)

The Company's effective tax rate is determined as follows:

For the years ended October 31 *(in thousands)*	2006	2005
Income tax expense at a combined statutory rate of 35.8% (2005 – 34.9%)	$ (10,526)	$ (6,906)
Large corporation capital tax	(295)	(1,768)
Tax paid equity earnings	(134)	296
Non-taxable portion of capital gain	800	683
Recoveries (expenses) not deductible for income tax purposes	182	(991)
Change in estimate of tax accruals	870	2,307
Effect of tax rate changes on future income tax balances	325	(658)
Miscellaneous	(26)	(245)
Income tax expense	$ (8,804)	$ (7,282)

Significant components of the Company's future tax assets and liabilities are:

As at October 31 *(in thousands)*	2006	2005
Future tax assets:		
Reserves and other liabilities	$ 4,295	$ 6,393
Other post-employment benefits	3,864	4,385
Other deferred charges	868	3,586
Property, plant and equipment	269	352
Non-capital losses carried forward	99,772	110,633
Other long-term liabilities	5,836	7,144
Other temporary differences	770	610
	$ 115,674	$ 133,103
Future tax liabilities:		
Property, plant and equipment	$ 23,346	$ 24,522
Trade investments	57,201	65,382
Deferred pension costs	4,761	4,953
Other deferred charges	900	1,581
Intangible assets	2,949	3,361
Other	3,500	3,137
	$ 92,657	$ 102,936
Net future tax asset	$ 23,017	$ 30,167
Comprised of:		
Future tax asset – current	$ 23,333	$ 19,417
Future tax liability – current	(8)	(272)
Future tax asset – non-current	4,554	18,307
Future tax liability – non-current	(4,862)	(7,285)
	$ 23,017	$ 30,167

The benefit of $2.3 million (2005 – nil) of investment tax credits was recognized in the year of which $513,000 was recorded as a reduction of property, plant & equipment, $235,000 as a reduction of deferred charges and the remainder in income.

At October 31, 2006, the Company has unrecognized investment tax credits totaling approximately $5.9 million (2005 – $7.7 million) available to reduce income taxes payable in future years. These credits have not been recognized as future tax assets on the Company's balance sheet as it cannot be determined that the realization of these credits prior to expiry is more likely than not. These tax credits expire in varying amounts between 2007 and 2015.

18. CURRENCY TRANSLATION ACCOUNT

The currency translation account reflects the net changes in the respective book values of the Company's investments in self-sustaining foreign operations due to exchange rate fluctuations since the respective dates of their acquisition or change in circumstance.

The changes in this account arise from changes in the U.S. currency relative to the Canadian currency, and changes in the Company's net investment in the book values of international operations. Changes in the account were as follows:

As at October 31 *(in thousands)*	2006	2005
Balance at the beginning of the year	$ —	$ —
Translation of self-sustaining foreign operations (Note 26)	$ (421)	$ –
Balance at end of year	$ (421)	$ —

19. GUARANTEES AND CONTINGENCIES

LETTERS OF CREDIT

The Company has provided banking letters of credit to third parties for activities that are inherent in the nature of the agriculture industry. The terms range in duration and expire at various dates from February 2007 to November 2007. The amounts vary depending on underlying business activity or the specific agreements in place with the third parties. As at October 31, 2006, the outstanding banking letters of credit were $22.9 million (2005 – $56.7 million).

INDEMNIFICATION OF ACCOUNTS RECEIVABLE

Agricore United Financial – Under the terms of an agreement with a Canadian Schedule I chartered bank (Note 4), the Company indemnifies the bank for 50% of future losses to a maximum of five percent of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at October 31, 2006, the Company has provided $4.5 million (2005 – $4.1 million) for actual and expected future losses.

Unifeed Financial – Under the terms of an agreement with a Canadian Schedule I chartered bank (Note 4), the Company indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependant on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of the underlying accounts and the aggregate credit outstanding. As at October 31, 2006, the Company has provided $352,000 (2005 – $221,000) for actual and expected future losses.

LOAN GUARANTEES

The Company is contingently liable under several guarantees given to third-party lenders who have provided long-term financing to certain independent hog producers. As at October 31, 2006, the current outstanding balance of these guarantees is $3.4 million (2005 – $3.8 million). These guarantees diminish as the underlying loans are repaid and expire between 2009 and 2014.

The Company is contingently liable under three guarantees given to three third-party lenders who have provided certain financing facilities to wholly-owned foreign subsidiaries. As at October 31, 2006, the maximum amount of the guarantees are U.S. $25 million (2005 – U.S. $25 million) and JPY 2 billion (2005 – JPY 2 billion), and U.S. $15 million or approximately $64.1 million in aggregate.

DIRECTOR AND OFFICER INDEMNIFICATION

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers as well as those of certain affiliated companies.

OTHER INDEMNIFICATION PROVISIONS

From time to time, the Company enters into agreements in the normal course of operations and in connection with business or asset acquisitions or dispositions. By their nature, these agreements may provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could incur. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

OTHER CONTINGENCIES

As at October 31, 2006, there are claims against the Company in varying amounts for which a provision in the financial statements is not considered necessary. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims. Management believes that any such amounts would not have a material impact on the business or financial position of the Company, or the occurrence of the confirming future event is not determinable.

20. LEASE COMMITMENTS

The Company has operating leases, with varying terms ranging up to 16 years, for office premises and equipment, storage facilities and sites, application equipment and licensed vehicles. Future minimum payments under these commitments are:

For the years ending October 31
(in thousands)

2007	$ 15,594
2008	12,701
2009	10,078
2010	7,236
2011	5,226
After 2011	27,616
	$ 78,451

21. FINANCIAL INSTRUMENTS

FORWARD FOREIGN EXCHANGE CONTRACTS

The following amounts represent the contracted Canadian dollar equivalent of commitments to buy and sell foreign currency:

As at October 31, 2006
(in thousands)

	Sell	Buy
U.S. dollars	$ 248,090	$ 71,514
Euro	$ 22,117	$ 2,686
British Pounds	$ 337	$ 153

Since foreign exchange gains or losses are recognized as they arise and are offset by losses or gains on the underlying hedge transaction, the fair value of these contracts equals the carrying value.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following summarize the major methods and assumptions used in estimating the fair values of financial instruments:

- Short-term financial instruments are valued at their carrying amounts included in the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.
- Rates currently available to the Company for long-term debt with similar terms and remaining maturities are used to estimate the fair value of existing borrowings as the present value of expected cash flows.
- The fair value of derivatives generally reflects the estimated amounts that the Company would have to pay, or would receive, upon termination of the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts.

22. INTEREST IN JOINT VENTURES

The Company's interest in its joint ventures is recognized using the proportionate consolidation method at rates that approximate either the Company's ownership interest in, or the volume of business with, the respective joint venture.

As at October 31
(in thousands)

	2006	2005
Balance Sheets		
Current assets	$ 86,197	$ 107,030
Long-term assets	93,989	101,671
Current liabilities	(41,754)	(61,725)
Long-term liabilities	(1,956)	(6,926)
Other long-term liabilities	(15,596)	(17,645)
Net investment in joint ventures	$ 120,880	$ 122,405

For the years ended October 31
(in thousands)

	2006	2005
Statements of Earnings		
Revenues	$ 80,796	$ 81,148
Expenses	(30,081)	(28,451)
Income tax provision	(611)	(633)
Net earnings	$ 50,104	$ 52,064
Statements of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 50,006	$ 58,789
Investing activities	(8,825)	(10,220)
Financing activities	(58,723)	(40,323)
Increase (decrease) in cash and cash equivalents	$ (17,542)	$ 8,246

23. SEGMENT INFORMATION

The Company has five reportable business segments operating in western Canada, as well as operations in the U.S. and Japan: Grain Handling, Crop Production Services, Livestock Services, Financial Markets as well as Corporate Administration. Grain Handling revenues are earned from the sourcing of grain from producers for delivery to end-users. Crop Production Services revenues are earned from the production and sale of crop input products and services through retail centers and country elevators. Livestock Services revenues are derived from the manufacture and sale of livestock feed and related services. Financial Markets include the activities of Agricore United Financial, Unifeed Financial and other risk transfer programs. The Corporate segment contains no substantial revenue and is comprised of corporate costs and other activities that are not specific to other business segments.

The Company has not provided revenues from external customers by geographic location as it is not practicable to do so. Total sales and revenue from services include export sales of $1,407 million (2005 – $1,186 million).

For the years ended October 31 (in thousands)	2006	2005
Sales and revenue from services:		
Grain Handling	$ 1,932,253	$ 1,679,397
Crop Production Services	788,591	835,758
Livestock Services	304,095	280,043
Financial Markets	9,977	10,443
	3,034,916	2,805,641
Less: Intersegment sales*	(36,447)	(30,362)
	$ 2,998,469	$ 2,775,279
Gross profit and net revenue from services:		
Grain Handling	$ 248,409	$ 211,446
Crop Production Services	157,234	184,999
Livestock Services	58,539	53,693
Financial Markets	9,977	10,443
	$ 474,159	$ 460,581
Operating, general and administrative expenses:		
Grain Handling	$ (150,247)	$ (143,969)
Crop Production Services	(106,887)	(112,143)
Livestock Services	(36,556)	(33,922)
Financial Markets	(3,446)	(5,217)
Corporate	(36,387)	(36,593)
	$ (333,523)	$ (331,844)
EBITDA:		
Grain Handling	$ 98,162	$ 67,477
Crop Production Services	50,347	72,856
Livestock Services	21,983	19,771
Financial Markets	6,531	5,226
Corporate	(36,387)	(36,593)
	$ 140,636	$ 128,737
Depreciation & amortization:		
Grain Handling	$ (28,200)	$ (29,411)
Crop Production Services	(18,988)	(20,516)
Livestock Services	(4,434)	(4,239)
Financial Markets	(314)	(202)
Corporate	(6,759)	(6,349)
	$ (58,695)	$ (60,717)
EBIT:		
Grain Handling	$ 69,962	$ 38,066
Crop Production Services	31,359	52,340
Livestock Services	17,549	15,532
Financial Markets	6,217	5,024
Corporate	(43,146)	(42,942)
	$ 81,941	$ 68,020

As at October 31 (in thousands)	2006	2005
Assets:		
Grain Handling[1]	$ 762,881	$ 765,768
Crop Production Services	392,121	485,972
Livestock Services[1]	179,342	117,101
Financial Markets	17,252	15,106
Corporate	109,510	93,252
	$ 1,461,106	$ 1,477,199
Goodwill:		
Grain Handling	$ 1,962	$ 1,962
Crop Production Services	15,050	15,050
Livestock Services[1]	15,800	4,177
	$ 32,812	$ 21,189
Intangible assets:		
Grain Handling	$ 6,500	$ 6,590
Crop Production Services	10,000	10,000
Livestock Services[1]	2,816	—
	$ 19,316	$ 16,590

[1] *Includes assets of foreign operations of $30 million and goodwill of foreign operations of $11.6 million and intangibles of foreign operations of $2.8 million.*

For the years ended October 31 (in thousands)	2006	2005
* Intersegment sales		
Grain Handling	$ (35,998)	$ (29,543)
Crop Production Services	(449)	(819)
	$ (36,447)	$ (30,362)

24. RESTRUCTURING PLAN

The Company's comprehensive restructuring plan to rationalize its country operations involves the demolition of locations that are either closed or anticipated to be closed. The expenditures for the year and the remaining provision outstanding to complete this restructuring plan are:

For the years ended October 31
(in thousands)

	2006			2005		
	Demolition	Other Cash Costs	Total	Demolition	Other Cash Costs	Total
Opening balance	$ 1,511	$ 2,168	$ 3,679	$ 2,511	$ 2,168	$ 4,679
Less: expenses incurred	(93)	(1,162)	(1,255)	(668)	—	(668)
Less: provision released	—	(500)	(500)	(332)	—	(332)
Closing balance	$ 1,418	$ 506	$ 1,924	$ 1,511	$ 2,168	$ 3,679

25. SUBSEQUENT EVENTS

CONVERTIBLE DEBENTURES

On November 30, 2006, the Company provided notice of its intention to redeem the 9% convertible unsecured subordinated debentures on January 10, 2007. The principal amount outstanding of $105 million will be settled by issuing Limited Voting Common Shares and the outstanding accrued interest will be settled with cash. The number of Limited Voting Common Shares to be issued on the redemption date will be determined by dividing the principal amount by 95% of the volume weighted average trading price of the Company's Limited Voting Common Shares on the TSX for the 20 consecutive trading days ending on January 3, 2007 (Note 10).

UNSOLICITED OFFER TO PURCHASE SHARES

On November 7, 2006, Saskatchewan Wheat Pool Inc. ("Sask Pool") announced its intention to make an unsolicited non-cash offer to exchange all of the Company's outstanding Limited Voting Common Shares and 9% convertible unsecured subordinated debentures (excluding debentures held by U.S. residents) for shares of Sask Pool and to purchase Series A Convertible Preferred shares for $24 cash per share. On November 9, 2006, the Board of Directors of the Company appointed a Special Committee of independent directors to evaluate the Sask Pool offer to acquire Agricore United. Sask Pool announced on November 28, 2006 that it had commenced mailing of the take-over bid circular relating to the offer to the Company's shareholders and debentureholders. On December 12, 2006, the Board of Directors of the Company, upon the recommendation of the Special Committee, unanimously recommended that securityholders reject the Sask Pool offer scheduled to expire on January 24, 2007.

26. ACCOUNTING POLICY CHANGES

FOREIGN CURRENCY TRANSLATION

Effective May 15, 2006, as a result of AUHI's wholly-owned subsidiary, Demeter, obtaining independent financing (see Notes 8 and 9), the Company changed its policy of accounting for this subsidiary on a prospective basis from an integrated foreign operation to a self-sustaining foreign operation using the current rate method. Monetary and non-monetary assets and liabilities are translated at the period-end exchange rate while revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements of a self-sustaining enterprise are deferred and included in a currency translation account within shareholders' equity.

27. FUTURE ACCOUNTING POLICY CHANGE

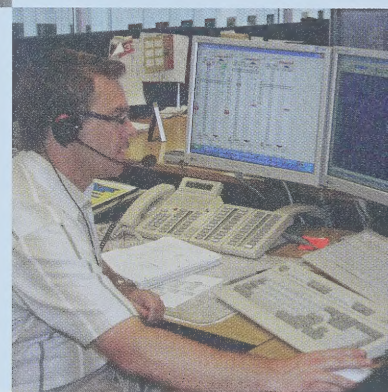
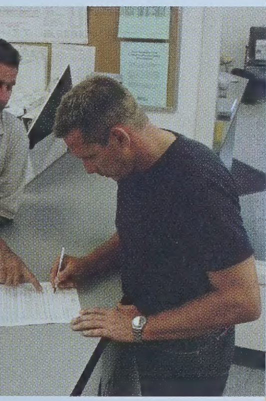
FINANCIAL INSTRUMENTS/ HEDGING/ COMPREHENSIVE INCOME

In April 2005, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation, Section 3865, Hedges and Section 1530, Comprehensive Income all applicable for annual or interim periods beginning on or after October 1, 2006. Sections 3855 and 3861 require all financial assets, financial liabilities and non-financial derivatives to be recognized on the balance sheet at the appropriate measurement, and properly disclosed in the notes to the financial statements. Section 3865 sets out hedge accounting prerequisites and rules and builds on existing Canadian GAAP guidance by specifying how hedge accounting is applied and disclosed. Section 1530 introduces new standards for the presentation and disclosure of components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. The Company has considered all financial instruments, potential hedging relationships and the presentation of comprehensive income and is prepared to adopt the standards on November 1, 2006.

28. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current year presentation.

Committed to growth


OFFICERS, DIRECTORS, COMMITTEES & SHAREHOLDERS

OFFICERS

Wayne W. Drul
Chair

Brian Hayward
Chief Executive Officer

David Carefoot
Chief Financial Officer

Tom Kirk
Corporate Secretary

DIRECTORS

Wayne W. Drul [3]
Chair
Oakburn, Manitoba

Jon K. Grant [1,3]
First Vice Chair
Peterborough, Ontario

Robert D. Pettinger [2*,3]
Manitoba Vice Chair
Elgin, Manitoba

Terry V. Youzwa [1*,3]
Saskatchewan Vice Chair
Nipawin, Saskatchewan

Maurice A. Lemay [2,3]
Alberta Vice Chair
Tangent, Alberta

William H. Camp [2]
Decatur, Illinois

Hugh F. Drake [2,4]
Elkhorn, Manitoba

Brett R. Halstead [4]
Nokomis, Saskatchewan

Alanna L. Koch [1,3*]
Edenwold, Saskatchewan

Donald W. Lunty [2,4]
Forestburg, Alberta

Steven R. Mills [1]
Decatur, Illinois

Jeffrey E. Nielsen [4]
Olds, Alberta

Paul Orsak [2]
Binscarth, Manitoba

Ernest J. Sirski [1]
Dauphin, Manitoba

James M. Wilson [1,4*]
Darlingford, Manitoba

Committees
1. Audit Committee
2. Human Resources and Compensation Commitee
3. Nominating and Governance Committee
4. Risk Review Committee

*Committee Chair

AUDITORS

PricewaterhouseCoopers LLP

BANKS

The Bank of Nova Scotia
HSBC Bank Canada
Rabobank International
Canadian Imperial Bank of Commerce
Société Générale (Canada)
National Bank of Canada
Bank of Montreal
Sumitomo Mitsui Banking Corporation of Canada
Royal Bank of Canada

STOCK EXCHANGE

Toronto Stock Exchange

Stock symbols:
AU – Limited Voting Common Shares
AU.PR.A – Series 'A' convertible preferred shares
AU.DB – 9% convertible unsecured subordinated debentures

TRANSFER AGENT

Computershare Trust Company of Canada

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Telephone: 204-944-5656

www.agricoreunited.com

Incorporated July 20, 1906

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